Iowa Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

The Wabash Trace Nature Trail stretches 62 miles through southwest Iowa. The converted railroad right-of-way runs from Council Bluffs on the north to Blanchard on the Iowa/Missouri border. The trail takes bikers, hikers and cross-country skiers through wide-open farm fields and the picturesque Loess Hills.

Photo: Iowa Tourism Office.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

GOVERNOR:
Terry E. Branstad

PREPARED BY:
The Iowa Department of Administrative Services - State Accounting Enterprise

STATE OF IOWA

Comprehensive Annual Financial Report
Table of Contents

For the Fiscal Year Ended June 30, 2012

INTRODUCTORY SECTION

Letter of Transmittal	6-10
GFOA Certificate of Achievement	11
State of Iowa Organizational Chart	12
Principal Officials	13

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	16-17
MANAGEMENT'S DISCUSSION AND ANALYSIS	18-29
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	32-33
Statement of Activities	35
Governmental Fund Financial Statements	
Balance Sheet	38
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	39
Statement of Revenues, Expenditures and Changes in Fund Balances	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	41
Proprietary Fund Financial Statements	
Statement of Net Assets	44
Statement of Revenues, Expenses and Changes in Fund Net Assets	45
Statement of Cash Flows	46-47
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	50
Statement of Changes in Fiduciary Net Assets	51
Component Unit Financial Statements	
Statement of Net Assets	54
Statement of Activities	55
Notes to the Financial Statements	57-117
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	120-121
Budgetary Comparison Schedule - Budget to GAAP Reconciliation - General Fund	122
Notes to Required Supplementary Information - Budgetary Reporting	123-125
Schedules of Funding Progress	126

SUPPLEMENTARY INFORMATION

Governmental Funds
Combining Balance Sheet - By Fund Type 128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type 129

Special Revenue Funds
Combining Balance Sheet 132
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 133
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis 135-137

Capital Projects Funds
Combining Balance Sheet 140
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 141

Permanent Funds
Combining Balance Sheet 144
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 145

Proprietary Funds

Enterprise Funds
Combining Statement of Net Assets 148
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets 149
Combining Statement of Cash Flows 151

Internal Service Funds
Combining Statement of Net Assets 154
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets 155
Combining Statement of Cash Flows 157

Fiduciary Funds

Pension and Other Employee Benefit Funds
Combining Statement of Fiduciary Net Assets 160
Combining Statement of Changes in Fiduciary Net Assets 161

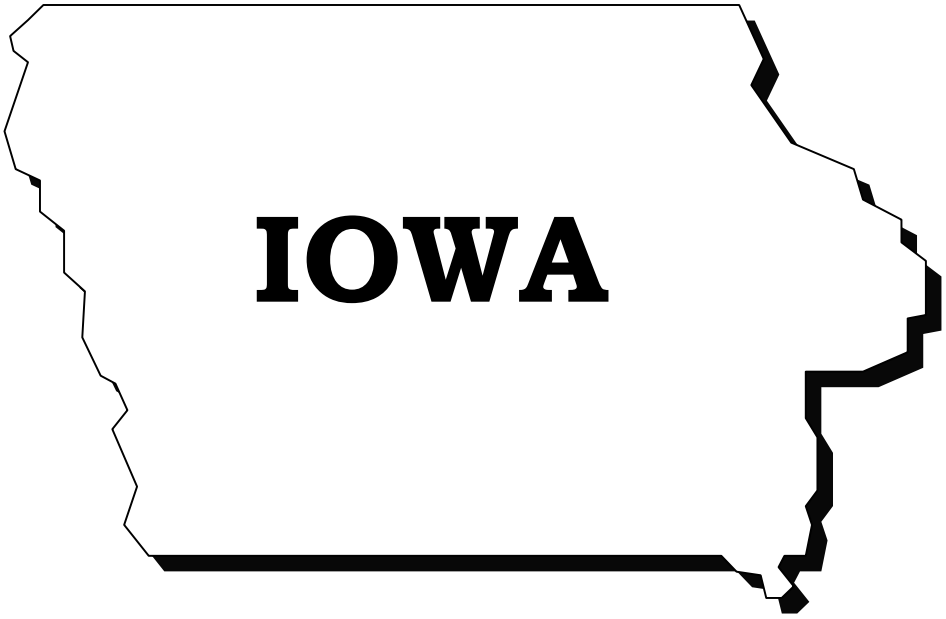
Private Purpose Trust Funds
Combining Statement of Fiduciary Net Assets 164
Combining Statement of Changes in Fiduciary Net Assets 165

Agency Funds
Combining Statement of Fiduciary Net Assets 168
Combining Statement of Changes in Assets and Liabilities 169

STATISTICAL SECTION

	Schedule	
Schedule of Net Assets by Component	1	174
Schedule of Changes in Net Assets	2	175-176
Schedule of Fund Balances of Governmental Funds	3	177
Schedule of Changes in Fund Balances of Governmental Funds	4	178
Schedule of Tax Revenue by Source - Governmental Funds	5	179
Schedule of Individual Income Tax Returns Filed and Tax Rates	6	180
Schedule of Retail Sales by Business Classification	7	181
Schedule of Ratios of Outstanding Debt by Type	8	182
Schedule of Revenue Bond Coverage	9	183-186
Schedule of Demographic and Economic Statistics	10	187
Schedule of Principal Non-governmental Employers	11	188
Schedule of Significant Classes of Assets by Function	12	189-190
Schedule of Operating Indicators by Function	13	191
Schedule of Number of Employees - Primary Government	14	192
Schedule of Current Expenditures - General Fund	15	193

ACKNOWLEDGMENTS


IOWA

INTRODUCTORY SECTION

December 14, 2012

TO THE CITIZENS, GOVERNOR AND MEMBERS OF THE IOWA GENERAL ASSEMBLY

In accordance with Iowa Code Section 8A.502(8), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Iowa for the fiscal year ended June 30, 2012. As required by State statute, this report has been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB).

The Department of Administrative Services and the Department of Management are responsible for both the accuracy of the presented data and the completeness and fairness of the presentation. We believe the information presented is accurate in all material respects and the necessary disclosures have been made in order to enable the reader to understand the State's financial activity.

The State's system of internal controls over assets recorded in the accounting system have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition and financial records from all appropriate sources are reliable for preparing financial statements and maintaining accountability. The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits likely to be derived from their use. To monitor the adequacy of internal controls, the Auditor of State reviews internal control procedures as an integral part of departmental audits.

The Auditor of State is required by Chapter 11 of the Code of Iowa to audit annually all departments of the State. The accompanying basic financial statements of the State of Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. His report appears elsewhere herein. In addition, the Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. That report is issued separately.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Iowa was admitted into the Union as the 29th state in 1846. Iowa is a midsize state with a mid-continent location. It covers 56,275 square miles, making it the 23rd largest state in the United States. The Mississippi River carves out Iowa's eastern border, while the flow of the Missouri and Big Sioux Rivers form the western border. Iowa has a population of 3.0 million.

In Iowa, government power is distributed among three branches. The Legislative branch creates laws that establish policies and programs; the Executive branch carries out the policies and programs created in the laws and the Judicial branch resolves any conflicts arising from interpretation or application of the laws. The Executive branch agencies are the Governor, Lieutenant Governor, Secretary of State, Treasurer of State, Secretary of Agriculture, Attorney General and Auditor of State, as well as 27 agencies lead by appointed State officials. The Legislative branch is comprised of two houses, a 50 member Senate and a 100 member House of Representatives. The Judicial branch is presided over by the Iowa Supreme Court, which is led by the Chief Justice of the Supreme Court.

The State provides a range of services such as education, health and human services, highway maintenance and construction, natural resources and agriculture management, law enforcement, public safety and economic development programs.

This report includes all of the fund types, departments and agencies of the State, as well as the boards, commissions, authorities and universities for which the State is financially accountable. Component units also included in the report are the Iowa Finance Authority, Iowa Economic Development Authority, Iowa Agricultural Development Authority, Iowa State Fair Authority, Iowa Lottery Authority and University Foundations. The reader is directed to Note 1.B in the Notes to the Financial Statements for a more complete description of the factors used to define the reporting entity.

State Budget and Budgetary Controls. The annual budgetary process serves as the foundation for the State's financial planning and control. Each year state departments submit budget requests to the Governor's Office by October 1. The State's budget is prepared by the Governor on an annual basis and is required to be submitted, along with proposed appropriation bills, to the General Assembly by the first of February prior to the new fiscal year. The General Assembly approves appropriation bills which establish spending authority for the upcoming fiscal year. The Governor has the ability to approve, veto or item veto appropriation bills as they are presented to him.

Departments may request revisions to allotments, appropriation transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at fiscal year-end and all unencumbered or unobligated balances revert to the state treasury, unless otherwise provided.

All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into State accounting systems. The annual budget of the State is established through separate appropriations to individual departments for specific purposes, special outlays and/or operating expenditures. Budgetary control is essentially maintained at the departmental level except for certain grant and aid programs where control is maintained at the program level.

ECONOMIC CONDITION AND OUTLOOK

National Economic Outlook 2012-2013

During fiscal year 2012, gross domestic product showed growth of 2.1 percent, reflecting the continued overall slow rebound the national economy is experiencing. According to Moody's Analytics, projections for gross domestic product growth in fiscal year 2013 are a slightly lower 1.9 percent.

Job growth has been slow and is estimated not to improve over the next 12 months. Employment had been on a decline in the United States starting at the end of calendar year 2007, losing 8.7 million jobs during calendar years 2008 and 2009. During fiscal year 2011, 1.3 million jobs were gained nationally, compared to fiscal year 2010 when 0.5 million jobs were lost nationally. For fiscal year 2012, 1.8 million jobs have been added to the payrolls; however, projections provided by Moody's Analytics for fiscal year 2013 are for slower growth with only 1.6 million projected jobs gains.

State and Local Economy

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. In calendar year 2011, 18.6 percent of the state's gross domestic product was in manufacturing, down from 20.6 percent 10 years ago. Finance and insurance has grown over the past 10 years from 10.3 percent of the total gross domestic product to 12.6 percent. With the growth in renewable fuels processing in Iowa, and higher grain and livestock prices, agriculture has grown from 3.1 percent in 2001 to 6.6 percent in 2011.

Gross Domestic Product. The gross domestic product is the U.S. Commerce Department's measure of the value of all goods and services produced in Iowa each year. In calendar year 2011, Iowa's real gross domestic product increased 1.9 percent ranking Iowa 12th highest in growth rate nationally. The United States average growth during the calendar year was 1.5 percent.

Personal Income. Personal income, as reported by the U.S. Department of Commerce, for the nation increased 5.2 percent during calendar year 2011. Iowa's personal income rose 9.1 percent during the calendar year, ranking Iowa third nationally. For the second quarter calendar year 2012, Iowa's personal income rose 1.0%.

Employment. Over the past 10 years, Iowa's unemployment rate has been between one and three percentage points below the national average. As of June 2012, the state unemployment rate stood at 5.1 percent, while the national average stood at 8.2 percent. Following the national trend, unemployment at the state level has dropped during fiscal year 2012, from 6.0 percent in June 2011 to 5.1 percent in June 2012. During fiscal year 2012, nonfarm employment on a seasonally adjusted basis increased a net 19,300 jobs, with 2,200 less people in the workforce. During this time period, the manufacturing section gained 12,200 jobs, 4,800 jobs were gained in the construction sector, and 2,300 jobs gained in the leisure and hospitality section. These gains were offset by reductions of 3,000 jobs in the government sector and 2,800 jobs in the trade and transportation sector. The rest of the economic sectors have smaller job changes.

Exports. The rise in exporting industries has been an important factor in Iowa's economic growth since the 1990's. Growth in exports of industrial machinery, instruments and measurement devices, electronics, specialized transportation equipment, chemicals and pharmaceuticals, and processed food

products have helped diversify Iowa's economy. In calendar year 2011 according to the U.S. Census Bureau, Iowa's exports increased 22.3 percent, after increasing 20.3 percent in calendar year 2010.

Canada continues to remain the top country for Iowa's exports, with Mexico being Iowa's second best trading partner. In 2011, Iowa's agricultural export value was second to only California nationally, being first in the nation in exporting pork, corn, soybean, and grain products.

Agriculture. The agricultural sector continues to be a strong presence in Iowa. Approximately 93 percent of the land area in the state is in farms. The U.S. Department of Agriculture reported in 2011, Iowa led the nation in the production of corn, soybeans, hogs, and eggs, and was second in red meat production.

Farmland Values. The Federal Reserve Bank of Chicago, in their most recent public release, stated that, despite drought conditions, farmland values for the Seventh Federal Reserve District (Chicago) had, for the third quarter 2012, continued to increase in value year over year at 13 percent. Farmland values in Iowa were up the most in the district, with a year-over-year increase of 18 percent for the period October 1, 2011 to October 1, 2012. Bankers responding to the survey sent out by the Chicago Federal Reserve Bank believe that land values will continue to rise during the last quarter of calendar year 2012.

Manufacturing. Iowa's manufacturing employment increased to an average of 207,400 for 2011, up from the 2010 level of 200,500. During calendar year 2011, durable goods products accounted for about 59.1 percent of manufacturing employment.

Financial Policies

The Governor and General Assembly have statutory responsibility to balance the budget.

- Spending is limited to 99.0 percent of adjusted revenues, 95.0 percent of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference, or the spring estimate if it is lower, as a basis to determine the General Fund budget for the following year.
- Two reserve funds have been created: the Cash Reserve Fund and the Economic Emergency Fund. Expenditures from these funds are limited by statute for nonrecurring, emergency expenditures.

MAJOR INITIATIVES AND ISSUES

Economic Development and Jobs. During the 2012 session, Governor Branstad proposed and the Legislature adopted legislation creating a High Quality Jobs Incentive Fund to enable the Iowa Economic Development Authority to package job growth deals and encourage new large employers to locate and expand in Iowa. Governor Branstad also proposed and the Legislature passed new incentives for employee stock options plans (ESOPs), to encourage Iowa businesses looking for new owners, with incentives to sell the business to their own employees.

Transparency. Governor Branstad spearheaded the passage of landmark transparency legislation to create a Public Information Board that will significantly improve the transparency of state and local government and ensure the enforcement of Iowa's open records / open meetings laws.

Mental Health Redesign. Governor Branstad signed into law an initiative to transform the delivery of mental health services across Iowa and to ensure all Iowans have access to a standard and consistent core of essential services.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment. The preparation of this report on a timely basis requires the collective efforts of numerous finance personnel throughout the State and is made possible only with the cooperation and support of the Executive, Legislative and Judicial branch agencies, universities and component units of the State.

This report could not have been accomplished without the professionalism and dedication of the staff in the Department of Management, the State Accounting Enterprise within the Department of Administrative Services, the Auditor of State's Office, and the financial and management personnel throughout State government.

This report, issued for the twenty-fifth consecutive year, continues our commitment to the citizens of the State of Iowa, the Governor, the Legislature and the financial community, to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,

Mike Carroll, Director
Department of Administrative Services

David Roederer, Director
Department of Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

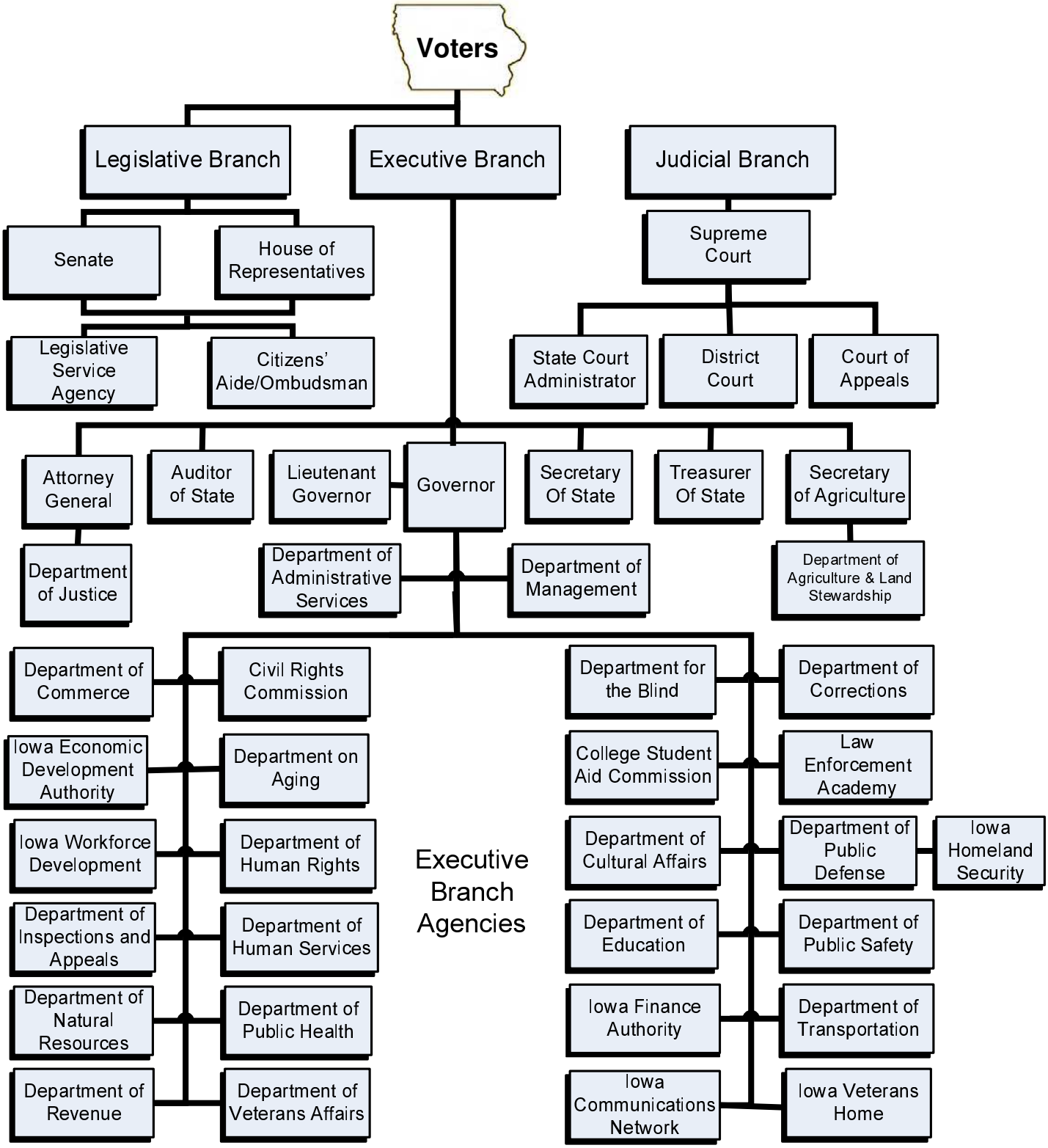
Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

State of Iowa Organizational Chart



Prepared for the Fiscal Year 2012 Comprehensive Annual Financial Report

Principal Officials

Elected Officials

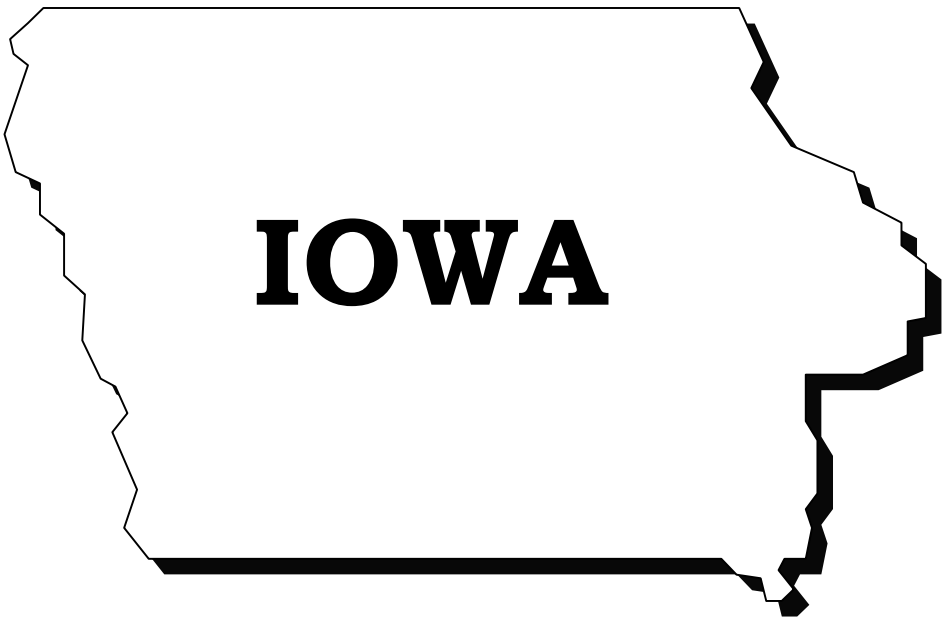
GOVERNOR	-	**Terry E. Branstad**
LIEUTENANT GOVERNOR	-	**Kimberly K. Reynolds**
SECRETARY OF STATE	-	**Matt Schultz**
AUDITOR OF STATE	-	**David A. Vaudt**
TREASURER OF STATE	-	**Michael L. Fitzgerald**
SECRETARY OF AGRICULTURE	-	**William H. Northey**
ATTORNEY GENERAL	-	**Thomas J. Miller**

Legislative Branch

PRESIDENT OF THE SENATE	-	**John P. Kibbie**
SPEAKER OF THE HOUSE OF REPRESENTATIVES	-	**Kraig M. Paulsen**

Judicial Branch

CHIEF JUSTICE OF THE SUPREME COURT	-	**Mark S. Cady**


IOWA

FINANCIAL SECTION

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Governor and Members of the General Assembly:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tobacco Settlement Authority, a major governmental fund, and certain discretely presented and blended component units, which statements represent 92% of assets and 32% of revenues of the discretely presented component units and 31% of assets and 6% of revenues of the nonmajor special revenue funds, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the major fund and these discretely presented and blended component units, is based on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Universities' Foundations and the Iowa Public Television Foundation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinions.

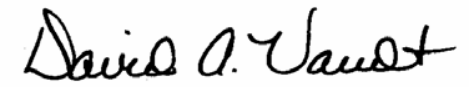
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedules of Funding Progress on pages 18 through 29 and 120 through 126 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the

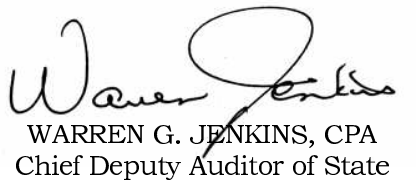
basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

In accordance with Government Auditing Standards, our report on the State of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2012. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the CAFR and the State's financial statements, which follow this section of the CAFR.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

On July 18, 2011 House File 590 was signed into law by Governor Branstad. This legislation dissolved the *Iowa Department of Economic Development* and established the *Iowa Economic Development Authority* (IEDA). The IEDA took over the functions of the dissolved Iowa Department of Economic Development and functions of the *Office of Energy Independence*. The IEDA was established as a legally separate entity, and as such, during fiscal year 2012, the State reclassified the IEDA as a discretely presented component unit. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2011 amounts have been revised to reflect the changes as if they had been made in the prior year. (see NOTE 20)

Government-wide Highlights

- The assets of the State of Iowa exceeded its liabilities at the close of fiscal year 2012 by $14,029.8 million (net assets). Of this amount, $1,777.7 million (unrestricted net assets) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net assets increased $910.3 million in the fiscal year ended June 30, 2012. Net assets of governmental activities increased $421.3 million, or 5.2%, while net assets of business-type activities increased $489.0 million, or 9.6%.
- In the State's governmental activities, revenues increased 2.0% to $14,591.6 million while expenses increased 1.9% to $13,713.4 million.
- For business-type activities, revenues increased 5.5% to $4,838.7 million while expenses increased 4.2% to $4,807.6 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of $2,874.4 million, a $51.9 million increase from the prior year. Of this amount, $57.6 million represents nonspendable fund balances, $1,730.3 million represents spendable restricted fund balances, $1,759.0 million represents spendable committed fund balances and a negative $672.5 million represents unassigned fund balances.
- The General Fund total fund balance increased $122.7 million to $2,626.0 million.
- The proprietary funds reported net assets at year-end of $5,712.1 million, an increase of $490.9 million.

Long-term Debt

- The State's total long-term debt increased $34.3 million, or 1.0%, to $3,478.7 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of the CAFR consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents supplementary information.

Basic Financial Statements

The basic financial statements include the government-wide financial statements, the fund financial statements and the notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are intended to provide a broad view of the State's financial activity. These statements are prepared using the accrual basis of accounting and the economic resources measurement focus, in a manner similar to private-sector business.

- The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- The *Statement of Activities* presents information about the change in the State's net assets. This statement is formatted to report direct expenses, program revenues and the net revenues or expenses for each of the State's governmental functions and business-type activities. This format identifies the extent to which each function is self-financed or is supported by the general revenues of the State.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* – Most services generally associated with State government, such as administration & regulation, education, health & human rights, human services, justice & public defense, economic development, transportation and agriculture & natural resources, are included in this category.
- *Business-type activities* – State operations such as the Universities and the Unemployment Benefits Fund that charge fees to external customers and function similarly to private business are included here.
- *Component units* – These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
  - Iowa Finance Authority (Business-type)
  - Iowa Economic Development Authority (Business-type)
  - Iowa Agricultural Development Authority (Business-type)
  - Iowa State Fair Authority (Business-type)
  - Iowa Lottery Authority (Business-type)
  - University of Iowa Foundation (Business-type)
  - Iowa State University Foundation (Business-type)
  - University of Northern Iowa Foundation (Business-type)

  Additional information about the State's component units is presented in NOTE 1-B of the Notes to the Financial Statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds. The State has three types of funds:

- *Governmental funds* – Most of the basic services provided by the State are accounted for in governmental funds. Governmental funds use the modified accrual basis of accounting and the flow of current financial resources measurement focus. Modified accrual accounting is used to show the flow of financial assets of the funds and the balances available for spending at year-end. These statements provide a detailed *short-term* view that assists in determining whether there are adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliation schedules accompany the governmental funds statements. The General Fund, Tobacco Settlement Authority and Tobacco Collections Fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long-term and short-term financial information.
  - The State's enterprise funds (one type of proprietary fund) are used to report activities, such as universities, that are presented as business-type activities in the government-wide statements.
  - The State's internal service funds (the other type of proprietary fund) are used to account for activities that provide supplies and services for other State programs and activities – such as the Workers' Compensation Fund.

  The University Funds and the Unemployment Benefits Fund are the State's major proprietary funds. Nonmajor proprietary funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.

- *Fiduciary funds* – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Iowa Public Employees' Retirement System and the Iowa Educational Savings Plan Trust. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1

Major Features of the State's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses: the universities and the Iowa Communications Network	Instances in which the State is the trustee or agent for someone else's resources, such as the retirement plan for public employees
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the State's funds do not contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the government-wide and fund financial statements. The notes also explain some of the information contained in the financial statements and present more detail than is practical in the financial statements.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget for major funds. The Budgetary Comparison Schedule is accompanied by a Budget to GAAP Reconciliation and by Notes to RSI. Schedules of funding progress for the Judicial Retirement System, the Peace Officers' Retirement, Accident and Disability System and Other Postemployment Benefits are also presented.

Supplementary Information

The Supplementary Information includes combining financial statements for non-major governmental funds, non-major enterprise funds, internal service funds and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's combined net assets (governmental and business-type activities) totaled $14,029.8 million at June 30, 2012, compared to $13,119.5 million at June 30, 2011, as indicated in Table 2.

Table 2

Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	Restated 2011	2012	2011	2012	Restated 2011	2011-2012
Current and other assets	$4,756.4	$4,722.3	$4,305.2	$3,969.0	$ 9,061.6	$ 8,691.3	4.3%
Capital assets	7,573.2	7,185.6	3,993.6	3,722.7	11,566.8	10,908.3	6.0%
Total assets	12,329.6	11,907.9	8,298.8	7,691.7	20,628.4	19,599.6	5.2%
Long-term liabilities	2,195.0	2,271.9	1,736.0	1,694.9	3,931.0	3,966.8	-0.9%
Other liabilities	1,679.8	1,602.5	987.8	910.8	2,667.6	2,513.3	6.1%
Total liabilities	3,874.8	3,874.4	2,723.8	2,605.7	6,598.6	6,480.1	1.8%
Net assets:							
Invested in capital assets, net of related debt	7,298.0	7,042.3	2,532.8	2,364.8	9,830.8	9,407.1	4.5%
Restricted	1,066.4	1,217.2	1,354.9	1,127.6	2,421.3	2,344.8	3.3%
Unrestricted	90.4	(226.0)	1,687.3	1,593.6	1,777.7	1,367.6	30.0%
Total net assets	$8,454.8	$8,033.5	$5,575.0	$5,086.0	$14,029.8	$13,119.5	6.9%

Net assets of the State's governmental activities increased 5.2% to $8,454.8 million. The largest component (86.3%) of the State's net assets is invested in capital assets (e.g. land, buildings, equipment, infrastructure and others), net of related outstanding debt that was used to acquire or construct the assets. Restricted net assets is the next largest component (12.6%). These represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets is the remaining portion (1.1%) and may be used at the State's discretion, but often have limitations on use based on State statutes. The negative unrestricted net asset balance for fiscal year 2011, is primarily attributed to the State's long-term liabilities for which any related offsetting assets are not the State's.

The net assets of business-type activities increased 9.6% to $5,575.0 million. The State generally can only use these net assets to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities decreased 0.9% to $3,931.0 million due primarily to a decrease in long-term bonds payable. The overall net decrease in long-term bonds payable of $50.4 million is the result of a $74.3 million net decrease for governmental activities which is offset by a $23.9 million net increase for business-type activities.

Governmental activities long-term bonds payable decreased due to a combination of a $23.7 million increase in current bonds payable for the Tobacco Settlement Authority Asset-Backed Bonds, retirement of principal totaling $47.9 million and a $3.7 million reduction in outstanding principal as a result of refunding the School Infrastructure Special Fund Bonds, Series 2001. Business-type activities long-term bonds payable increased due to a combination of a $23.0 million increase in current bonds payable for University of Iowa bonds and a $53.4 million net increase in university revenue bond activity, consisting of $122.1 million in bond retirements and defeasances and $175.5 million in bond issuances.

Other liabilities increased 6.1% to $2,667.6 million. The $154.3 million increase was due largely to increases in the current portion of bonds payable of $64.2 million, and compensated absences of $52.3 million.

Changes in Net Assets

The State's total net assets increased by $910.3 million during the year, as indicated in Table 3.

Table 3
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	Restated 2011	2012	2011	2012	Restated 2011	2011-2012
Program revenues							
Charges for services	$ 2,134.5	$ 2,045.8	$ 3,560.0	$ 3,140.7	$ 5,694.5	$ 5,186.5	9.8%
Operating grants & contributions	4,489.1	4,922.0	1,044.2	1,200.1	5,533.3	6,122.1	-9.6%
Capital grants & contributions	494.7	420.0	61.3	36.2	556.0	456.2	21.9%
General revenues							
Personal income tax	3,040.4	2,856.5	-	-	3,040.4	2,856.5	6.4%
Corporate income tax	430.4	254.8	-	-	430.4	254.8	68.9%
Sales & use tax	2,454.2	2,336.3	-	-	2,454.2	2,336.3	5.0%
Other tax	756.7	685.4	7.0	6.8	763.7	692.2	10.3%
Motor fuel tax restricted for transportation purposes	438.9	445.6	-	-	438.9	445.6	-1.5%
Road use tax restricted for transportation purposes	303.4	282.0	-	-	303.4	282.0	7.6%
Unrestricted investment earnings	21.1	30.7	90.9	154.2	112.0	184.9	-39.4%
Other	28.2	28.3	75.3	47.6	103.5	75.9	36.4%
Total revenues	**14,591.6**	**14,307.4**	**4,838.7**	**4,585.6**	**19,430.3**	**18,893.0**	2.8%
Expenses							
Administration & regulation	1,411.8	1,383.2	-	-	1,411.8	1,383.2	2.1%
Education	3,551.3	3,601.9	-	-	3,551.3	3,601.9	-1.4%
Health & human rights	423.2	458.7	-	-	423.2	458.7	-7.7%
Human services	5,466.2	5,182.5	-	-	5,466.2	5,182.5	5.5%
Justice & public defense	1,082.8	1,098.0	-	-	1,082.8	1,098.0	-1.4%
Economic development	254.9	273.4	-	-	254.9	273.4	-6.8%
Transportation	1,206.9	1,139.2	-	-	1,206.9	1,139.2	5.9%
Agriculture & natural resources	214.5	217.8	-	-	214.5	217.8	-1.5%
Interest expense	101.8	101.9	-	-	101.8	101.9	-0.1%
University Funds	-	-	3,842.3	3,465.4	3,842.3	3,465.4	10.9%
Unemployment Benefits Fund	-	-	718.6	928.4	718.6	928.4	-22.6%
Other	-	-	246.7	222.2	246.7	222.2	11.0%
Total expenses	**13,713.4**	**13,456.6**	**4,807.6**	**4,616.0**	**18,521.0**	**18,072.6**	2.5%
Increase (decrease) in net assets before extraordinary items and transfers	878.2	850.8	31.1	(30.4)	909.3	820.4	10.8%
Extraordinary items - impairment of assets and other	-	(4.4)	1.0	5.9	1.0	1.5	-33.3%
Transfers	(456.9)	(503.5)	456.9	503.5	-	-	0.0%
Increase in net assets	**421.3**	**342.9**	**489.0**	**479.0**	**910.3**	**821.9**	10.8%
Net assets - July 1, restated	**8,033.5**	**7,690.6**	**5,086.0**	**4,607.0**	**13,119.5**	**12,297.6**	6.7%
Net assets - June 30	**$ 8,454.8**	**$8,033.5**	**$5,575.0**	**$5,086.0**	**$14,029.8**	**$13,119.5**	6.9%

The State of Iowa received $382.7 million and spent $387.7 million in federal funds as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), a decrease of 58.0% and 57.6%, respectively, from FY2011. Additionally, $5.9 million more benefits were issued by the Department of Human Services to clients for the Supplemental Nutrition Assistance Program (SNAP) as a result of ARRA, an increase of 7.4% from FY2011.

Governmental Activities

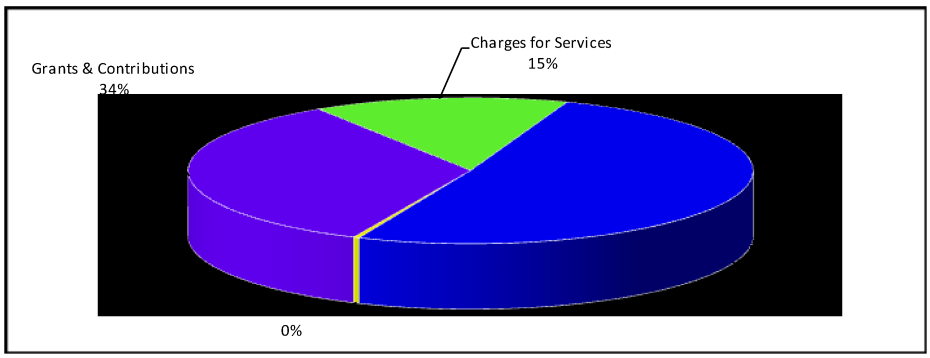
The largest fluctuations in program revenues were in capital grants and contributions and in operating grants and contributions with an increase of $74.7 million and a decrease of $432.9 million, respectively. The increase in capital grants and contributions revenue is attributable to an increase in funding for transportation construction projects. The decrease in operating grants and contributions is primarily ARRA related and widely impacts revenues across the functions of governmental activities.

Charges for services program revenues for governmental activities increased $88.7 million, as a result of a $91.1 million increase for Human Services. The Human Services increases are partially attributable to a $32.7 million increase in collections from local governments due to the decreasing ARRA rate, as well as increases in enrollment for Medicaid services, an $8.6 million increase in drug rebate collections, and a $9.0 million increase in institutional billings.

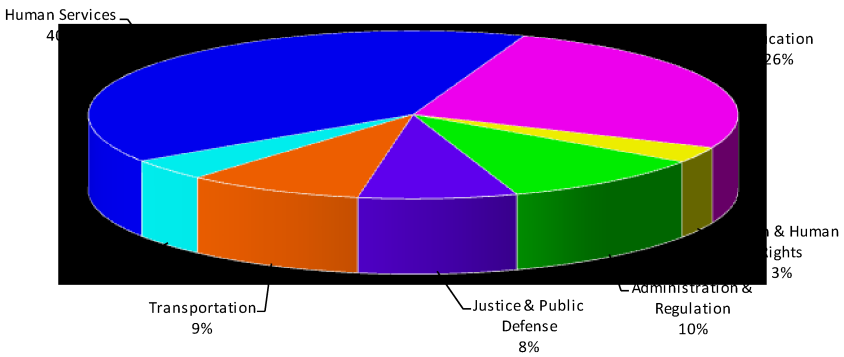
The largest increase in general revenues was in personal income tax, $183.9 million or 6.4%, and the largest percentage increase was in corporate income taxes, $175.6 million or 68.9%. The increase in tax revenues was a result of the continuing improvement in the state economy. Unrestricted investment earnings decreased 31.3% as compared to the prior year which had reflected a recovery in investment returns.

Overall, expenses for governmental activities increased 1.9%. Expenses increased most significantly in transportation, 5.9%, and in human services, 5.5%. The increase in transportation expenses reflects an increase of $67.7 million, largely due to the increase of $131.1 million in capital outlay and the related $74.5 million reduction in capital expenditures due to the expenditures being capitalized and netted with current year depreciation expense.

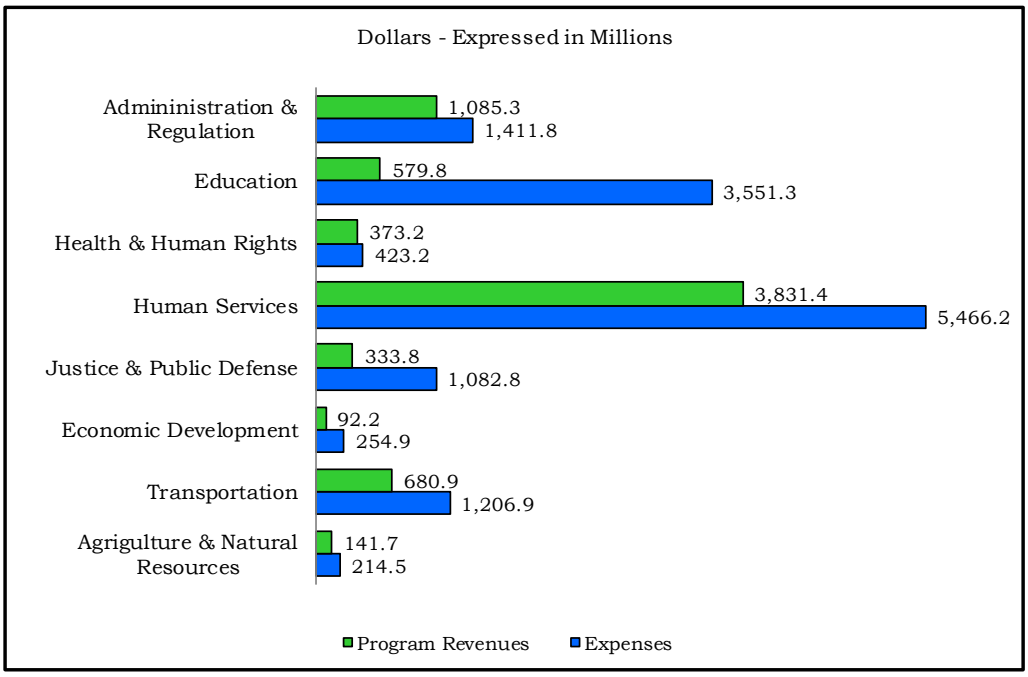
Revenues by Source



Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was $13,713.4 million. However, the amount that taxpayers paid for these activities through State taxes was $7,424.0 million. Part of the cost was paid by:

- Those who directly benefited from the programs ($2,134.5 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($4,983.8 million).

Business-type Activities

- University Funds had $3,842.3 million in expenses and $3,408.3 million in program revenues for net expenses of $434.0 million. The most substantial change in revenues and expenses occurred in charges for services revenue and personal service expense, which increased $366.8 million and $299.3 million, respectively, primarily related to operations of the University of Iowa Hospitals. Other significant changes include a decrease of $65.0 million or 46.2% in investment income, due to less favorable market performance, and a decrease in operating transfers of $38.8 million due to a reduction in state aid to the universities. Assets increased $377.6 million to $7,212.7 million. This was due to an increase in capital assets of $266.8 million related to construction and an increase in cash and investments of $106.1 million. Liabilities increased a modest $105.8 million, due partly to an increase of $62.7 million in bonds payable and a $19.7 million increase in the accrual for OPEB liability.
- The Unemployment Benefits Fund had $718.6 million in expenses and $922.2 million in program revenues for an overall net increase in operating income of $203.6 million. Although the State's unemployment rate remained relatively constant, the number of claims related to new layoffs decreased which contributed to a $209.8 million or 22.6% decrease in unemployment benefits paid. Revenue from the federal government decreased by $141.0 million as benefits were exhausted and federal stimulus programs ended. Employer contributions increased by $24.5 million or 4.0%, as a result of higher contribution rates triggered by the fund balance of the prior fiscal year.

In total, business-type activities had net expenses of $142.1 million with $174.2 million in net general revenues and $456.9 million in transfers, for a net increase of $489.0 million, to end with net assets of $5,575.0 million.

Other business-type activities expenses increased $24.5 million and revenues increased $37.2 million. The Liquor Control Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a $24.1 million increase in sales revenue and a $16.7 million increase in expenses.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of $2,874.4 million, an increase of 1.8% from the previous year. Net revenues totaled $14,653.0 million with expenditures of $14,170.3 million.

With the implementation of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, beginning with the fiscal year ended June 30, 2011, the fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balance includes inventory, prepaid items, noncurrent receivables and the principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

Spendable fund balance includes resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balance is further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications for the total governmental funds:

- *Restricted* - $1,730.3 million and $2,025.3 million for FY2012 and FY2011, respectively, includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.
- *Committed* - $1,759.0 million and $1,513.8 million for FY2012 and FY2011, respectively, includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.
- *Assigned* – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.
- *Unassigned* – negative $672.5 million and negative $763.6 million for FY2012 and FY2011, respectively, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

  The State's modified accrual revenue recognition policy for governmental fund level statements recognizes revenues if received within sixty days of year end and deferred if received past sixty days. This creates a negative impact when the payables/expenditures related to the deferred revenues are recognized in the statements. A portion of the negative unassigned fund balance is due to deferral of federal receivables/revenues while associated payables/expenditures have been recognized. The largest portion of the negative unassigned fund balance relates to the Tobacco Collections Fund deficit. (See NOTE 21 - DEFICIT FUND BALANCE)

General Fund

The General Fund is the chief operating fund of the State. Total fund balance increased from $2,503.3 million for fiscal year 2011 to $2,626.0 million for fiscal year 2012. The fiscal year 2012 General Fund consists of the following fund balances: $41.4 million nonspendable, an increase of 31.9%, $1,062.8 million restricted, a decrease of 14.0%, $1,732.5 committed, an increase of 16.6%, and negative $210.7 million unassigned, an increase of 15.9%. For fiscal year 2012, the committed fund balance includes $604.1 million in reserve (rainy day) funds, an increase of 36.2%.

Gross revenues of the General Fund netted an increase of $299.9 million in fiscal year 2012, due primarily to a $501.5 million increase in taxes, $31.1 million increase in fees, licenses & permits and a $227.1 million decrease in receipts from other entities. The decrease in receipts from other entities is attributable to a decrease in ARRA funding for fiscal year 2012. In addition to the increases in personal and corporate income

taxes discussed for governmental activities, sales & use taxes increased $118.5 million and Medicaid recoveries increased $5.0 million.

Total expenditures of the General Fund increased $369.5 million in fiscal year 2012. Expenditures increased $210.5 million for the Medicaid program, $29.0 million for food assistance due to increased eligibility and $10.0 million for increased eligibility in the Healthy and Well Kids in Iowa program. In addition, there was a $131.1 million increase in capital expenditures by the Department of Transportation for statewide infrastructure and equipment..

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a Special Revenue Fund, receives money from the Tobacco Collections Fund to pay operating expenditures and for repayment of debt. The Authority's ending fund balance decreased $51.4 million to $545.5 million. The decrease was due to receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling $9.6 million and $43.0 million, respectively.

Tobacco Collections Fund

The Tobacco Collections Fund, a Special Revenue Fund, accounts for the tobacco settlement moneys received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The ending fund balance in the Tobacco Collections Fund increased $51.2 million to a deficit balance of $461.8 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement moneys remitted to the Tobacco Settlement Authority during the year.

Proprietary Funds

The State of Iowa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the University Funds increased $271.9 million to $4569.3 million while unrestricted net assets increased $95.4 million to $1,684.6 million.

The total net assets of the Unemployment Benefits Fund, which are entirely restricted for unemployment benefits, increased $214.8 million to end fiscal year 2012 at $923.6 million.

Operating results for the Iowa Communications Network remained relatively constant with a 0.8% decrease in operating revenues and an 8.8% increase in operating expenses.

Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the State of Iowa's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the State revised the budget several times. These budget amendments fall into three categories:

- Supplemental appropriations - $9,118,643
- Legislatively approved reductions in appropriations - $6,500,000
- Adjustments to standing appropriations - $10,166,366

The originally enacted General Fund budget for fiscal year 2012 of $5,999.9 million was predicated on 4.1% growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 6, 2010. The December estimate reflected the expectation that revenues would continue to increase from an estimated 2.8% growth for fiscal year 2011

At the March 25, 2011 meeting, the REC revised its fiscal year 2012 General Fund revenue estimate upward to $6,188.9 million or an estimated growth of 5.7% reflecting an increase in state economic growth. At the October 14, 2011 meeting, the REC revised its fiscal year 2012 General Fund revenue estimate downward to $5,974.9 million or 1.3% growth. This was based upon the revised base of fiscal year 2011 of 5.1% growth and taking into account reductions passed during the 2011 Legislative session to General Fund revenues totaling $196.5 million, with the majority of the reduction due to the transfer of $106 million of cigarette and tobacco tax revenue from the General Fund to the Health Care Trust Fund and the transfer of $26.9 million in fees associated with the Commerce Department from the General Fund to the Commerce Revolving Fund. On December 15, 2011, the

REC increased the revenue estimate to $6,000.3 million. The increase from the October 2011 meeting reflected that year-to-date revenues were growing faster than expected. An additional revision was made at the March 23, 2012 meeting to increase the General Fund revenue estimate slightly to $6,051.2 million, again acknowledging that year-to-date revenues were growing faster than expected.

On March 16, 2012, the Iowa Supreme Court released their decision in *Homan vs. Branstad*. Due to the decision, the General Fund appropriations for the Iowa Workforce Development of $15.9 million for fiscal year 2012 were invalidated. The Governor and General Assembly passed and signed into law on April 4, 2012, SF 2324, which reenacted the General Fund appropriations at their original amounts for a total of $15.9 million. Also, during the 2012 Legislative session, the General Assembly approved a reduction in appropriations of $6.5 million to the Medical Assistance program at the Department of Human Services. The General Assembly also approved supplemental appropriations of $9.1 million. The largest supplemental appropriation was to the Department of Corrections for $7.5 million to help continue operations at prisons. $1.3 million went to the National Guard Loan Program at the College Aid Commission to continue to help provide tuition to returning National Guard members from overseas duty and $0.3 million went to help repair an Iowa Civil War monument.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (as in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items such as paying claims against the State through the State Appeal Board. These are either increases or decreases to the estimates made at the beginning of the year. For fiscal year 2012, these standing appropriations exceeded the original estimates by $10.2 million. The largest variance was for claims with the State Appeal Board which were $13.7 million over the original estimate, offset by a reduction in the Legislative Branch by a net $2.8 million under the original estimate. A variety of other appropriations made up the balance of the changes to standing appropriations.

During April, May and June of 2012, and throughout the accrual period, actual General Fund revenue collections continued to come in above the official REC projections. At the close of the fiscal year 2012, revenue collections totaled $6,311.1 million which is a 7.0% growth over fiscal year 2011. As a result, the General Fund budgetary ending balance for fiscal year 2012, statutorily required to be transferred to the Cash Reserve Fund in fiscal year 2013, totaled $688.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the State had $11,566.8 million invested in capital assets, net of accumulated depreciation of $9,364.1 million. Depreciation charges totaled $726.2 million in 2012. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

Table 4

Capital Assets, Net of Depreciation
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	Restated 2011	2012	2011	2012	Restated 2011	2011-2012
Land	$ 727.7	$ 704.6	$ 71.6	$ 58.7	$ 799.3	$ 763.3	4.7%
Buildings & improvements	798.1	756.5	2,417.2	2,218.4	3,215.3	2,974.9	8.1%
Equipment	177.7	172.6	355.4	325.2	533.1	497.8	7.1%
Land improvements	35.8	25.7	35.1	32.2	70.9	57.9	22.5%
Works of art & collections	1.2	1.2	356.0	338.0	357.2	339.2	5.3%
Computer software	13.9	13.3	53.2	44.9	67.1	58.2	15.3%
Infrastructure	5,558.9	5,330.7	340.9	333.2	5,899.8	5,663.9	4.2%
Other intangibles	-	-	2.5	0.3	2.5	0.3	100.0%
Construction in progress	234.4	170.4	353.8	352.9	588.2	523.3	12.4%
Computer software in progress	25.5	10.6	7.9	16.6	33.4	27.2	22.8%
Other intangibles in progress	-	-	-	2.3	-	2.3	-100.0%
Total	$7,573.2	$7,185.6	$3,993.6	$3,722.7	$11,566.8	$10,908.3	6.0%

Outstanding commitments for future capital expenditures as of June 30, 2012 include $428.5 million for highway and bridge construction, $358.8 million for various projects at the three State universities, $24.2 million for State facilities and buildings and $9.5 million for State parks, recreational areas, fisheries and wetland projects.

Long-term Debt

At year-end, the State had $3,478.7 million in bonds and leases and other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 to the financial statements.

Table 5

State of Iowa's Outstanding Debt
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenue bonds	$1,881.7	$1,930.6	$1,399.5	$1,336.8	$ 3,281.2	$ 3,267.4	0.4%
Leases and other financing arrangements	5.0	5.8	192.5	171.2	197.5	177.0	11.6%
Total	$1,886.7	$1,936.4	$1,592.0	$1,508.0	$ 3,478.7	$ 3,444.4	1.0%

Revenue bonds issued by the State and its various authorities totaled $4,950.2 million outstanding at fiscal year-end. This amount consisted of $1,669.0 million of component unit (proprietary) revenue bonds (Iowa Finance Authority, Iowa Lottery Authority and Iowa State University Foundation), $1,399.5 million in revenue bonds issued by the three State universities (for equipment and facilities), $751.3 million in revenue bonds issued by the Tobacco Settlement Authority, $32.7 million in revenue bonds issued by the Honey Creek Authority, $24.2 million in revenue bonds issued by the Iowa Finance Authority for the Department of Corrections, $12.0 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, $779.2 million in revenue bonds issued by the State of Iowa for the IJOBS program, $144.3 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and $138.0 million in revenue bonds issued by the State of Iowa for the Vision Iowa Program and the School Infrastructure Loan Program. These bonds are backed by the revenues of the issuing program or authority.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Iowa enjoyed improved fiscal health in fiscal year 2012 with the second half of the fiscal year showing a strong growth in revenue collections. Iowa's 7.0% growth in General Fund revenues continued an increase started in fiscal year 2011, after a two year decline in General Fund revenue growth in fiscal years 2009 and 2010, with fiscal year 2010 the largest decline in recent history. This has been the trend nationally as well, with revenue collections for all states increasing 3.2% in the second quarter of calendar year 2012, according to the Nelson A. Rockefeller Institute of Government.

The Governor and General Assembly finished their work on May 9, 2012, on the 122nd day of the originally anticipated 100 day second session of the 84th General Assembly, finalizing the General Fund budget for fiscal year 2013 after passing part of it in the prior year session. Amounts available for appropriation in fiscal year 2013 based on the 99% budget limitation after Governor's vetoes; in the General Fund budget were $6,453.7 million. General Fund appropriations totaled $6,222.6 million.

At the REC meeting in October 2012, the fiscal year 2013 revenue estimate was increased from a revised $6,253.3 million to $6,482.5 million, largely as a reflection of actual revenue collections in fiscal year 2012 and current year to date revenue growth and the anticipated continued growth of tax revenues that is reflective of the slow rebound in the national economy and higher growth in Iowa's economy. The revised estimate reflects projected revenue growth of 2.7% compared to actual revenues for the previous fiscal year.

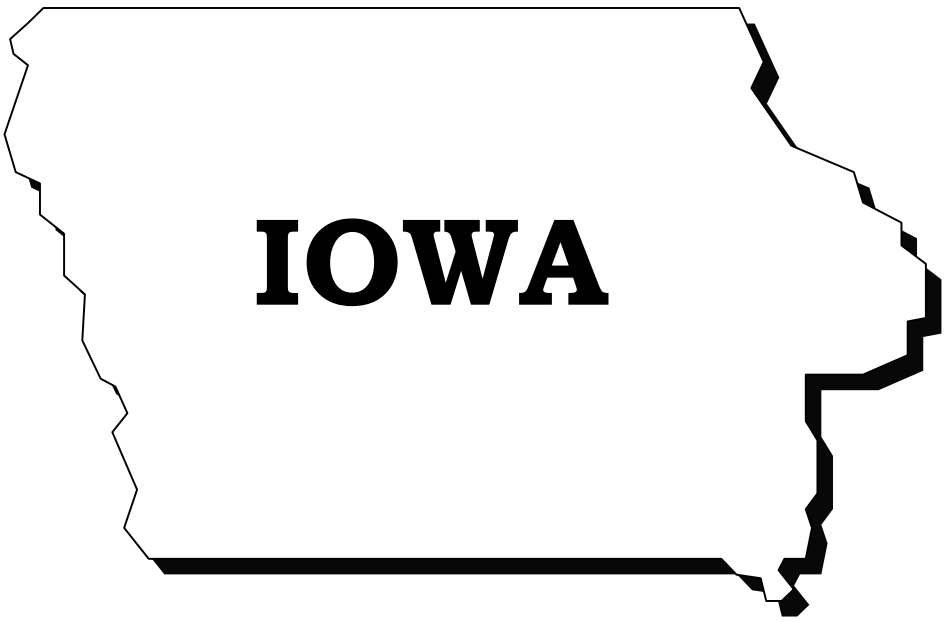
Recent revenue performance has been strongly positive, which is reflective of the continued growth in the agriculture economy in spite of the drought conditions this past summer and continuing on in the fall throughout the State. Iowa's unemployment rate was at 5.1% in October 2012, down from the rate for September 2012 of 5.2% and lower than the national rate of 7.9%, showing Iowa has been able to withstand the national trends, with Iowa's labor market holding its own in spite of the slow growth nationally.

The national economy has been on a slow, unsteady growth pattern the past few years. Most of the discussion now is around the federal fiscal cliff that exists, with increases in federal tax rates and federal spending cuts scheduled to occur starting January 2013 without further Congressional action. Moody's Analytics conclude that if nothing is done the federal fiscal drag on the national economy would bring the gross domestic product to a negative growth, putting the nation back into recession. Because of the negative effect, Moody's Analytics expects Congress and the President to do something to stop the federal fiscal cliff from occurring. The latest Moody's Analytics forecast projects the jobless rate to lower to 7.9% and stay approximately there for the calendar year 2013. Gross domestic product is estimated to grow from 1.2% in the first quarter of calendar year 2013 to 3.6% by the end of calendar year 2013.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, legislators, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Iowa Department of Administrative Services
State Accounting Enterprise
Hoover State Office Building
Des Moines, IA 50319


IOWA

BASIC FINANCIAL STATEMENTS

STATE OF IOWA

Statement of Net Assets

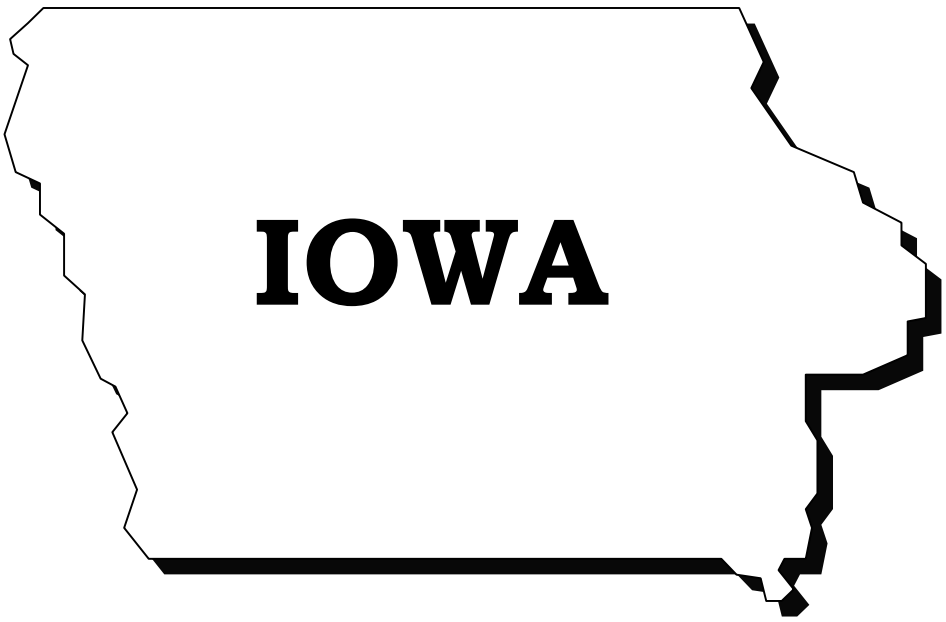
June 30, 2012
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current assets:				
Cash & investments	$ 2,718,608	$ 2,703,253	$ 5,421,861	$ 1,563,017
Cash & investments - restricted	-	79,147	79,147	308
Deposits with trustees	6,741	-	6,741	-
Accounts receivable (net)	1,758,288	733,254	2,491,542	82,585
Interest receivable	-	1,774	1,774	7,959
Loans receivable (net)	6,730	7,382	14,112	70,198
Internal balances	31,814	(31,814)	-	-
Inventory	22,609	68,361	90,970	2,591
Prepaid expenses	30,270	31,698	61,968	533
Deferred charges	592	-	592	-
Other assets	-	204	204	5,652
Total current assets	4,575,652	3,593,259	8,168,911	1,732,843
Noncurrent assets:				
Cash & investments	-	577,618	577,618	1,269,188
Cash & investments - restricted	79,066	-	79,066	512,973
Deposits with trustees	-	7,056	7,056	-
Accounts receivable (net)	76,189	6,464	82,653	155,838
Interest receivable	-	456	456	1,348,884
Loans receivable (net)	16,249	68,008	84,257	-
Capital assets - nondepreciable	987,645	745,236	1,732,881	8,940
Capital assets - depreciable (net)	6,585,551	3,248,337	9,833,888	92,354
Prepaid expenses	-	810	810	-
Deferred charges	9,217	-	9,217	-
Other assets	-	51,562	51,562	69,031
Total noncurrent assets	7,753,917	4,705,547	12,459,464	3,457,208
TOTAL ASSETS	**12,329,569**	**8,298,806**	**20,628,375**	**5,190,051**

The notes are an integral part of the financial statements.

(continued on next page)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	**BUSINESS-TYPE ACTIVITIES**	**TOTAL**	**COMPONENT UNITS**
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,339,615	390,123	1,729,738	107,599
Interest payable	9,636	25,649	35,285	31,045
Unearned revenue	44,771	116,634	161,405	251
Compensated absences	145,505	113,028	258,533	3,111
Capital leases	857	10,273	11,130	645
Bonds payable	139,132	96,811	235,943	50,036
Other financing arrangements payable	237	984	1,221	-
Funds held in custody	-	234,296	234,296	82,396
Total current liabilities	1,679,753	987,798	2,667,551	275,083
Noncurrent liabilities:				
Accounts payable & accruals	273,048	125,789	398,837	126,185
Unearned revenue	-	2,664	2,664	-
Compensated absences	175,439	73,996	249,435	3,359
Capital leases	2,027	163,231	165,258	4,430
Bonds payable	1,742,582	1,302,724	3,045,306	1,618,937
Other financing arrangements payable	1,904	18,037	19,941	-
Funds held in custody	-	49,526	49,526	5,432
Total noncurrent liabilities	2,195,000	1,735,967	3,930,967	1,758,343
TOTAL LIABILITIES	**3,874,753**	**2,723,765**	**6,598,518**	**2,033,426**
NET ASSETS				
Invested in capital assets, net of related debt	7,297,964	2,532,774	9,830,738	91,562
Restricted for:				
Education	71,972	-	71,972	-
Justice & public defense	72,635	-	72,635	-
Economic development	2,851	-	2,851	-
Transportation	744,185	-	744,185	-
Agriculture & natural resources	16,644	-	16,644	-
Capital projects	5,285	-	5,285	-
University Funds - expendable	-	308,459	308,459	-
University Funds - nonexpendable	-	122,878	122,878	-
Permanent Funds - nonexpendable	16,002	-	16,002	-
Unemployment Benefits Fund	-	923,620	923,620	-
Other	136,877	-	136,877	2,811,318
Unrestricted	90,401	1,687,310	1,777,711	253,745
TOTAL NET ASSETS	**$ 8,454,816**	**$ 5,575,041**	**$ 14,029,857**	**$ 3,156,625**


IOWA

STATE OF IOWA

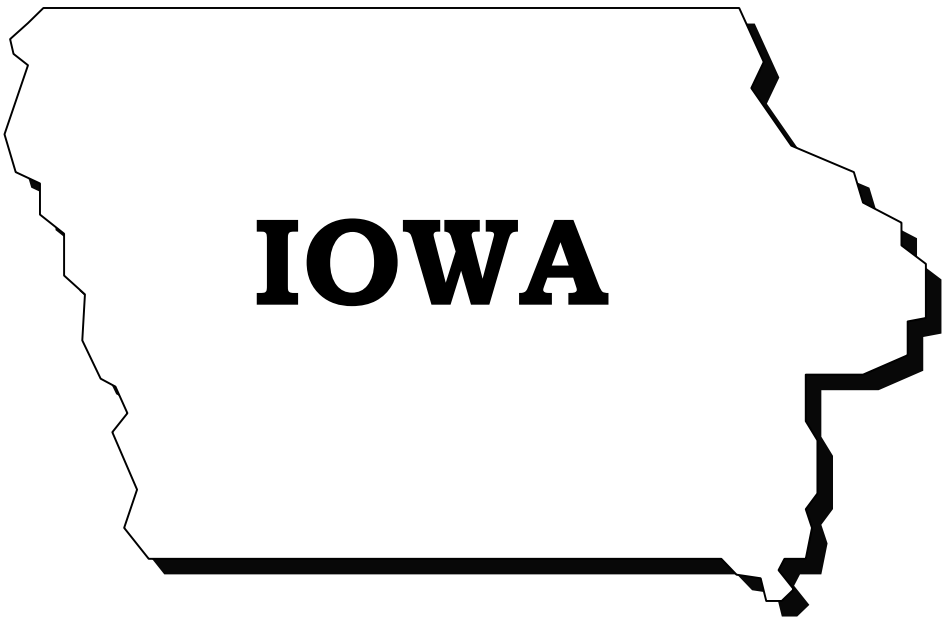
Statement of Activities

For the Year Ended June 30, 2012

(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSES) REVENUES & CHANGES IN NET ASSETS: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	$ 1,411,797	$ 1,060,902	$ 24,413	$ -	$ (326,482)	$	$ (326,482)	
Education	3,551,294	52,686	527,153	-	(2,971,455)		(2,971,455)	
Health & human rights	423,202	66,922	302,401	3,863	(50,016)		(50,016)	
Human services	5,466,172	666,496	3,164,895	-	(1,634,781)		(1,634,781)	
Justice & public defense	1,082,774	104,969	226,852	1,990	(748,963)		(748,963)	
Economic development	254,902	3,672	88,518	-	(162,712)		(162,712)	
Transportation	1,206,924	93,908	108,331	478,637	(526,048)		(526,048)	
Agriculture & natural resources	214,526	84,912	46,575	10,225	(72,814)		(72,814)	
Interest expense	101,849	-	-	-	(101,849)		(101,849)	
Total governmental activities	**13,713,440**	**2,134,467**	**4,489,138**	**494,715**	**(6,595,120)**		**(6,595,120)**	
Business-type activities:								
University Funds	3,842,314	2,590,308	765,919	52,055		(434,032)	(434,032)	
Unemployment Benefits Fund	718,611	643,970	278,240	-		203,599	203,599	
Other	246,673	325,699	-	9,284		88,310	88,310	
Total business-type activities	**4,807,598**	**3,559,977**	**1,044,159**	**61,339**		**(142,123)**	**(142,123)**	
TOTAL PRIMARY GOVERNMENT	**$ 18,521,038**	**$ 5,694,444**	**$ 5,533,297**	**$ 556,054**	**(6,595,120)**	**(142,123)**	**(6,737,243)**	
COMPONENT UNITS:								
Iowa Finance Authority	$ 166,602	$ 16,674	$ 140,344	$ -				$ (9,584)
Iowa Economic Development Authority	302,502	1,091	325,462	-				24,051
Iowa Agricultural Development Authority	431	404	10	-				(17)
Iowa State Fair Authority	21,714	20,315	1,780	1,500				1,881
Iowa Lottery Authority	310,163	311,068	-	-				905
University of Iowa Foundation	114,107	-	67,752	-				(46,355)
Iowa State University Foundation	64,300	-	64,033	-				(267)
University of Northern Iowa Foundation	14,023	-	12,727	-				(1,296)
TOTAL COMPONENT UNITS	**$ 993,842**	**$ 349,552**	**$ 612,108**	**$ 1,500**				**(30,682)**
GENERAL REVENUES:								
Personal income tax					3,040,391	-	3,040,391	-
Corporate income tax					430,395	-	430,395	-
Sales & use tax					2,454,156	-	2,454,156	-
Other tax					756,713	7,031	763,744	-
Motor fuel tax restricted for transportation purposes					438,953	-	438,953	-
Road use tax restricted for transportation purposes					303,368	-	303,368	-
Unrestricted investment earnings					21,155	90,891	112,046	66,805
Other					27,504	74,649	102,153	19,076
Gain on sale of assets					732	688	1,420	-
Extraordinary items - impairment of assets and other					-	991	991	-
Transfers					(456,940)	456,940	-	-
TOTAL GENERAL REVENUES, EXTRAORDINARY ITEMS & TRANSFERS					**7,016,427**	**631,190**	**7,647,617**	**85,881**
CHANGE IN NET ASSETS					**421,307**	**489,067**	**910,374**	**55,199**
NET ASSETS - JULY 1, RESTATED					**8,033,509**	**5,085,974**	**13,119,483**	**3,101,426**
NET ASSETS - JUNE 30					**$ 8,454,816**	**$ 5,575,041**	**$ 14,029,857**	**$ 3,156,625**

The notes are an integral part of the financial statements.


IOWA

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

General Fund - This is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Tobacco Settlement Authority - The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenditures and repayment of debt.

Tobacco Collections Fund - The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority. Per Code of Iowa Section 12E.12.1.b(3)(b), the State's portion is then transferred to the Rebuild Iowa Infrastructure Fund.

Nonmajor Governmental Funds are presented, by fund type, in the Supplementary Information section.

STATE OF IOWA

Balance Sheet
Governmental Funds

June 30, 2012
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 2,520,072	$ 83,829	$ -	$ 139,099	$ 2,743,000
Deposits with trustees	4,290	-	-	2,451	6,741
Accounts receivable (net)	1,709,617	213	31,858	15,515	1,757,203
Loans receivable (net)	6,045	-	-	685	6,730
Due from other funds	12,565	152,449	-	6,183	171,197
Inventory	13,835	-	-	95	13,930
Prepaid expenditures	27,547	-	-	95	27,642
Total current assets	4,293,971	236,491	31,858	164,123	4,726,443
Noncurrent assets:					
Accounts receivable (net)	76,057	-	-	132	76,189
Loans receivable (net)	12,939	-	-	3,310	16,249
Due from other funds/ advances to other funds	-	309,348	-	26,580	335,928
Total noncurrent assets	88,996	309,348	-	30,022	428,366
TOTAL ASSETS	**$ 4,382,967**	**$ 545,839**	**$ 31,858**	**$ 194,145**	**$ 5,154,809**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	$ 1,242,267	$ 181	$ -	$ 18,425	$ 1,260,873
Due to other funds/ advances from other funds	63,265	130	152,441	9,392	225,228
Deferred revenue	370,546	-	31,858	1,402	403,806
Total current liabilities	1,676,078	311	184,299	29,219	1,889,907
Noncurrent liabilities:					
Accounts payable & accruals	1,985	-	-	280	2,265
Due to other funds/ advances from other funds	2,826	-	309,348	-	312,174
Deferred revenue	76,057	-	-	-	76,057
Total noncurrent liabilities	80,868	-	309,348	280	390,496
TOTAL LIABILITIES	**1,756,946**	**311**	**493,647**	**29,499**	**2,280,403**
FUND BALANCES					
Nonspendable	41,382	-	-	16,192	57,574
Spendable:					
Restricted	1,062,771	545,528	-	122,013	1,730,312
Committed	1,732,552	-	-	26,453	1,759,005
Unassigned	(210,684)	-	(461,789)	(12)	(672,485)
TOTAL FUND BALANCES	**2,626,021**	**545,528**	**(461,789)**	**164,646**	**2,874,406**
TOTAL LIABILITIES & FUND BALANCES	**$ 4,382,967**	**$ 545,839**	**$ 31,858**	**$ 194,145**	**$ 5,154,809**

The notes are an integral part of the financial statements.

STATE OF IOWA

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

June 30, 2012
(Expressed in Thousands)

Total fund balances - governmental funds		**$ 2,874,406**
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is $13,387,845 and the accumulated depreciation is $(5,911,407).		7,476,438
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		137,027
Certain revenues are earned but not available and, therefore, are deferred in governmental funds.		454,577
Deferred issue costs are reported as current expenditures in governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included as deferred charges in the governmental activities in the Statement of Net Assets.		9,809
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable	$ (1,881,714)	
Accrued interest payable	(9,636)	
Compensated absences	(315,212)	
Capital leases	(2,254)	
Other financing arrangements payable	(2,141)	
Pollution remediation	(36,561)	
Early retirement/termination benefits	(97,512)	
Risk management	(20,000)	
Net pension liability	(55,661)	
Other postemployment benefits	(74,098)	
Other long-term liabilities	(2,652)	
Total long-term liabilities		(2,497,441)
Net assets of governmental activities		**$ 8,454,816**

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 7,985,697	$ -	$ -	$ -	$ 7,985,697
Receipts from other entities	5,574,095	-	-	51,934	5,626,029
Investment income	18,384	2,632	-	750	21,766
Fees, licenses & permits	1,188,027	-	-	38,066	1,226,093
Refunds & reimbursements	433,870	-	65,651	37,698	537,219
Sales, rents & services	29,541	-	-	3,684	33,225
Miscellaneous	125,614	-	-	15,847	141,461
GROSS REVENUES	**15,355,228**	**2,632**	**65,651**	**147,979**	**15,571,490**
Less revenue refunds	914,252	-	-	4,272	918,524
NET REVENUES	**14,440,976**	**2,632**	**65,651**	**143,707**	**14,652,966**
EXPENDITURES					
Current:					
Administration & regulation	1,389,837	1,437	-	12,700	1,403,974
Education	3,460,573	-	-	83,855	3,544,428
Health & human rights	416,570	-	-	736	417,306
Human services	5,460,995	-	-	162	5,461,157
Justice & public defense	1,026,280	-	-	1,155	1,027,435
Economic development	255,299	-	-	-	255,299
Transportation	548,277	-	-	352	548,629
Agriculture & natural resources	191,697	-	-	10,141	201,838
Capital outlay	1,043,125	-	-	93,253	1,136,378
Debt service:					
Principal	55,700	9,590	-	7,265	72,555
Interest & fiscal charges	55,246	42,970	-	3,111	101,327
TOTAL EXPENDITURES	**13,903,599**	**53,997**	**-**	**212,730**	**14,170,326**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**537,377**	**(51,365)**	**65,651**	**(69,023)**	**482,640**
OTHER FINANCING SOURCES (USES)					
Transfers in	151,504	-	-	46,063	197,567
Transfers out	(589,265)	-	(14,443)	(47,677)	(651,385)
Leases, installment purchases & other	562	-	-	-	562
Revenue refunding bonds issued	20,910	-	-	-	20,910
Premium on revenue refunding bonds	1,643	-	-	-	1,643
TOTAL OTHER FINANCING SOURCES (USES)	**(414,646)**	**-**	**(14,443)**	**(1,614)**	**(430,703)**
NET CHANGE IN FUND BALANCES	**122,731**	**(51,365)**	**51,208**	**(70,637)**	**51,937**
FUND BALANCES - JULY 1, RESTATED	**2,503,290**	**596,893**	**(512,997)**	**235,283**	**2,822,469**
FUND BALANCES - JUNE 30	**$ 2,626,021**	**$ 545,528**	**$ (461,789)**	**$ 164,646**	**$ 2,874,406**

The notes are an integral part of the financial statements.

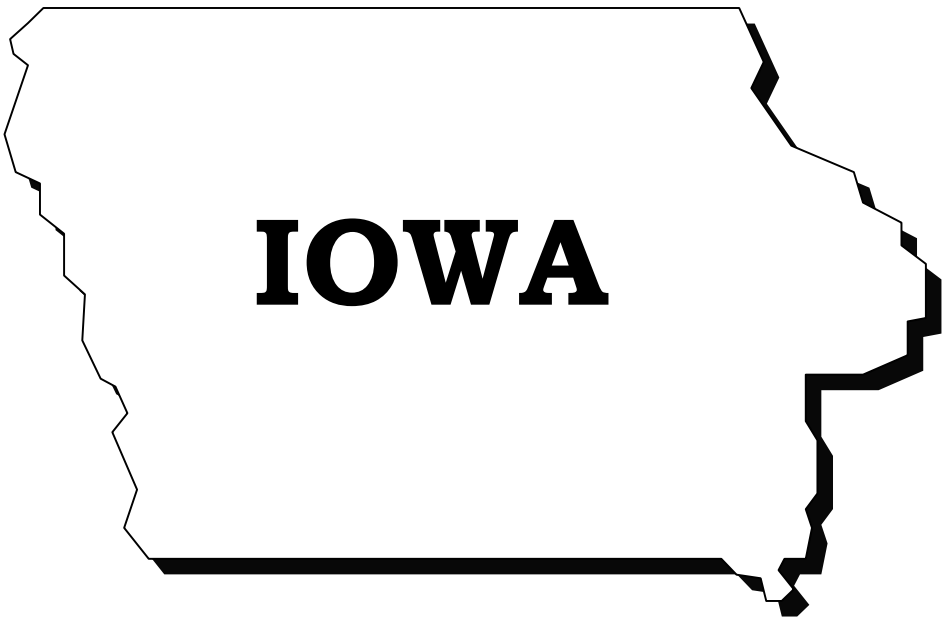
STATE OF IOWA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2012
(Expressed in Thousands)

Net change in fund balances – total governmental funds		**$ 51,937**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 839,199	
Depreciation expense	(455,813)	
Excess of capital outlay over depreciation expense		383,386
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas the proceeds from the sale increase financial resources in governmental funds.		(1,605)
Some capital additions were financed through capital leases, other financing arrangements and installment purchases. In governmental funds, these financing arrangements are considered a source of funding, but in the Statement of Net Assets, the obligations are reported as liabilities. In the current year, these amounts consist of:		
Revenue bonds	(22,678)	
Capital leases	(362)	
Other financing arrangements payable	(200)	
Total		(23,240)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond principal retirement	72,555	
Capital lease payments	1,772	
Other financing arrangements payments	204	
Total long-term debt repayments		74,531
Internal service funds are used by management to charge the cost of certain activities to individual funds. A portion of the net revenue of the internal services funds is reported with governmental activities.		1,805
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered available revenues and are deferred in the governmental funds.		(62,299)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:		
Compensated absences	(9,046)	
Early retirement/termination benefits	24,693	
Pension liability	(6,541)	
Other postemployment benefits	(16,081)	
Other	3,767	
Total additional expenditures		(3,208)
Change in net assets of governmental activities		**$ 421,307**

The notes are an integral part of the financial statements.


IOWA

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

University Funds are maintained to account for the operations of the State's public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

Unemployment Benefits Fund receives federal funds and contributions from employers to provide benefits to eligible unemployed workers.

Nonmajor Proprietary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA

Statement of Net Assets
Proprietary Funds

June 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 1,952,737	$ 723,411	$ 24,487	$ 2,700,635	$ 57,292
Cash & investments - restricted	79,147	-	-	79,147	-
Accounts receivable (net)	460,675	248,649	23,927	733,251	1,088
Interest receivable	1,754	-	19	1,773	-
Loans receivable (net)	7,382	-	-	7,382	-
Due from other funds/advances to other funds	-	595	17	612	67,899
Inventory	54,214	-	14,147	68,361	8,681
Prepaid expenses	31,123	-	560	31,683	2,643
Other assets	204	-	-	204	-
Total current assets	2,587,236	972,655	63,157	3,623,048	137,603
Noncurrent assets:					
Cash & investments	577,618	-	-	577,618	-
Deposits with trustees	7,056	-	-	7,056	-
Accounts receivable	6,464	-	-	6,464	-
Interest receivable	456	-	-	456	-
Loans receivable (net)	68,008	-	-	68,008	-
Due from other funds/advances to other funds	-	2,826	-	2,826	-
Capital assets - nondepreciable	744,277	-	959	745,236	-
Capital assets - depreciable (net)	3,169,815	-	78,522	3,248,337	96,758
Prepaid expenses	244	-	566	810	-
Other assets	51,562	-	-	51,562	-
Total noncurrent assets	4,625,500	2,826	80,047	4,708,373	96,758
TOTAL ASSETS	**7,212,736**	**975,481**	**143,204**	**8,331,421**	**234,361**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	350,357	20,135	18,039	388,531	25,257
Due to other funds/advances from other funds	-	247	2,186	2,433	12,047
Interest payable	25,649	-	-	25,649	-
Unearned revenue	84,195	31,479	960	116,634	19,486
Compensated absences	111,236	-	1,792	113,028	2,735
Capital leases	10,273	-	-	10,273	117
Bonds payable	96,811	-	-	96,811	-
Other financing arrangements payable	984	-	-	984	-
Funds held in custody	234,296	-	-	234,296	-
Total current liabilities	913,801	51,861	22,977	988,639	59,642
Noncurrent liabilities:					
Accounts payable & accruals	124,139	-	1,650	125,789	39,376
Due to other funds/advances from other funds	-	-	26,580	26,580	-
Unearned revenue	-	-	2,664	2,664	-
Compensated absences	71,999	-	1,997	73,996	2,997
Capital leases	163,231	-	-	163,231	513
Bonds payable	1,302,724	-	-	1,302,724	-
Other financing arrangements payable	18,037	-	-	18,037	-
Funds held in custody	49,526	-	-	49,526	-
Total noncurrent liabilities	1,729,656	-	32,891	1,762,547	42,886
TOTAL LIABILITIES	**2,643,457**	**51,861**	**55,868**	**2,751,186**	**102,528**
NET ASSETS					
Invested in capital assets, net of related debt	2,453,293	-	79,481	2,532,774	96,758
Restricted for:					
Expendable	308,459	-	-	308,459	-
Nonexpendable	122,878	-	-	122,878	-
Unemployment benefits	-	923,620	-	923,620	-
Unrestricted	1,684,649	-	7,855	1,692,504	35,075
TOTAL NET ASSETS	**$ 4,569,279**	**$ 923,620**	**$ 87,336**	5,580,235	**$ 131,833**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(5,194)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES				**$ 5,575,041**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Employer contributions	$ -	$ 643,970	$ -	$ 643,970	$ -
Receipts from other entities	112	278,240	-	278,352	121,823
Fees, licenses & permits	1,992,610	-	18,398	2,011,008	3
Refunds & reimbursements	-	-	701	701	56,315
Sales, rents & services	322,870	-	304,145	627,015	1,205
Grants & contracts	629,603	-	-	629,603	-
Independent/auxiliary operations	274,828	-	-	274,828	-
Miscellaneous	71,219	-	2,455	73,674	6,732
TOTAL OPERATING REVENUES	**3,291,242**	**922,210**	**325,699**	**4,539,151**	**186,078**
OPERATING EXPENSES					
General & administrative	-	-	13,007	13,007	-
Scholarship & fellowship	37,315	-	-	37,315	-
Depreciation	246,963	-	8,573	255,536	14,883
Direct & other	-	-	27,157	27,157	-
Personal services	2,340,629	-	8,336	2,348,965	30,347
Travel & subsistence	36,429	-	676	37,105	23,616
Supplies & materials	480,345	-	449	480,794	42,124
Contractual services	105,072	-	9,729	114,801	30,737
Equipment & repairs	516,700	-	269	516,969	18,738
Claims & miscellaneous	19,384	-	173,962	193,346	24,322
Licenses, permits & refunds	4,041	-	843	4,884	29
State aid & credits	-	718,611	3,648	722,259	-
TOTAL OPERATING EXPENSES	**3,786,878**	**718,611**	**246,649**	**4,752,138**	**184,796**
OPERATING INCOME (LOSS)	**(495,636)**	**203,599**	**79,050**	**(212,987)**	**1,282**
NONOPERATING REVENUES (EXPENSES)					
Gifts	136,315	-	-	136,315	-
Taxes	-	-	7,031	7,031	-
Investment income	75,613	15,146	84	90,843	96
Interest expense	(53,239)	-	-	(53,239)	-
Miscellaneous revenues	3,318	-	-	3,318	-
Miscellaneous expenses	(478)	-	-	(478)	-
Gain (loss) on sale of capital assets	(843)	-	57	(786)	207
NET NONOPERATING REVENUES (EXPENSES)	**160,686**	**15,146**	**7,172**	**183,004**	**303**
INCOME (LOSS) BEFORE CONTRIBUTIONS, EXTRAORDINARY ITEM & TRANSFERS	**(334,950)**	**218,745**	**86,222**	**(29,983)**	**1,585**
Capital contributions & grants	52,055	-	12,406	64,461	-
Extraordinary item - impairment of assets & other	991	-	-	991	-
Transfers in	553,818	-	2,248	556,066	-
Transfers out	-	(3,953)	(98,295)	(102,248)	-
CHANGE IN NET ASSETS	**271,914**	**214,792**	**2,581**	**489,287**	**1,585**
TOTAL NET ASSETS - JULY 1	**4,297,365**	**708,828**	**84,755**		**130,248**
TOTAL NET ASSETS - JUNE 30	**$ 4,569,279**	**$ 923,620**	**$ 87,336**		**$ 131,833**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(220)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES				**$ 489,067**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/students	$ 2,556,018	$ -	$ 333,545	$ 2,889,563	$ -
Cash received from miscellaneous	99,342	-	3,033	102,375	-
Cash received from employers	-	652,478	-	652,478	-
Cash received from other entities	640,030	278,240	-	918,270	16,740
Cash received from reciprocal interfund activity	-	101	-	101	182,078
Cash payments to suppliers for goods & services	(1,248,703)	-	(223,199)	(1,471,902)	(140,650)
Cash payments to employees/students for services	(2,265,354)	-	(16,624)	(2,281,978)	(30,146)
Cash payments for unemployment claims	-	(718,932)	-	(718,932)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(218,667)**	**211,887**	**96,755**	**89,975**	**28,022**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	534,822	-	2,248	537,070	-
Transfers out to other funds	-	(3,715)	(97,390)	(101,105)	-
Receipts from related agencies	996,225	-	-	996,225	-
Payments to related agencies	(955,257)	-	-	(955,257)	-
Other noncapital financing receipts	4,736	-	-	4,736	-
Other noncapital financing payments	(2,636)	-	-	(2,636)	-
Proceeds from noncapital gifts	136,795	-	-	136,795	-
Tax receipts	-	-	7,031	7,031	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**714,685**	**(3,715)**	**(88,111)**	**622,859**	**-**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(482,382)	-	(9,527)	(491,909)	(20,510)
Interest payments	(54,703)	-	-	(54,703)	-
Debt payments	(109,669)	-	-	(109,669)	-
Capital grants & contributions	49,346	-	9,284	58,630	-
Debt proceeds	143,206	-	-	143,206	-
Proceeds from sale of capital assets	1,469	-	57	1,526	-
Other capital & related financing activities	56,664	-	-	56,664	-
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**(396,069)**	**-**	**(186)**	**(396,255)**	**(20,510)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	59,115	15,146	70	74,331	96
Proceeds from sale & maturities of investments	1,224,899	-	-	1,224,899	-
Purchase of investments	(1,344,311)	-	-	(1,344,311)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(60,297)**	**15,146**	**70**	**(45,081)**	**96**
NET INCREASE IN CASH & CASH EQUIVALENTS	**39,652**	**223,318**	**8,528**	**271,498**	**7,608**
CASH & CASH EQUIVALENTS - JULY 1	**854,535**	**500,093**	**15,959**	**1,370,587**	**49,684**
CASH & CASH EQUIVALENTS - JUNE 30	**894,187**	**723,411**	**24,487**	**1,642,085**	**57,292**
INVESTMENTS	**1,715,315**	**-**	**-**	**1,715,315**	**-**
CASH & INVESTMENTS PER STATEMENT OF NET ASSETS	**$ 2,609,502**	**$ 723,411**	**$ 24,487**	**$ 3,357,400**	**$ 57,292**

(continued on next page)

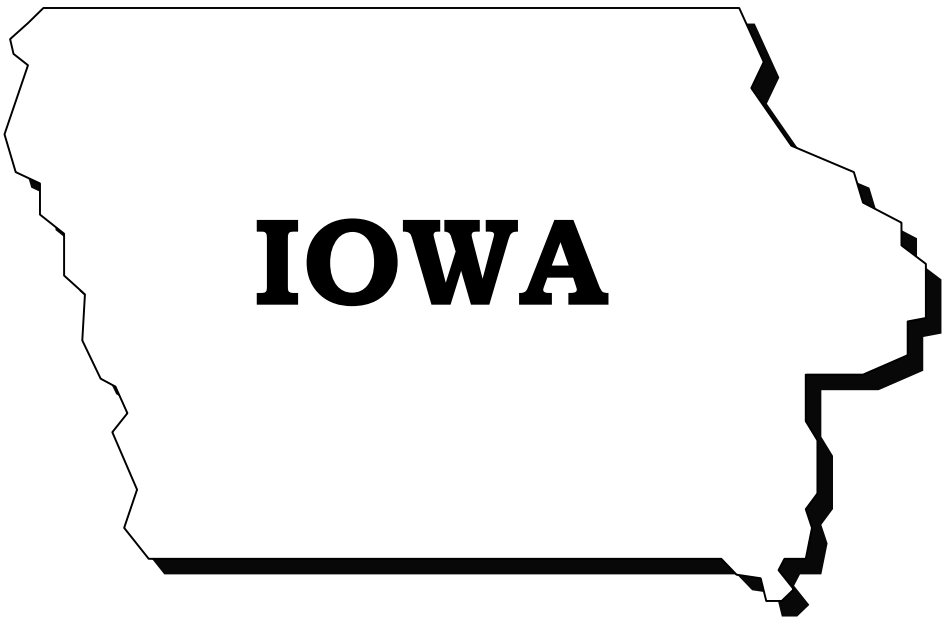
STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)
(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (495,636)	$ 203,599	$ 79,050	$ (212,987)	$ 1,282
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	246,963	-	8,573	255,536	14,883
(Increase) decrease in accounts receivable	(3,631)	(2,294)	10,674	4,749	348
(Increase) decrease in due from	-	101	-	101	3,719
(Increase) decrease in inventory	(656)	-	(2,588)	(3,244)	(890)
(Increase) decrease in prepaid expenses	(45)	-	(429)	(474)	45
(Increase) decrease in loans receivable	828	-	-	828	-
(Increase) decrease in other assets	(561)	-	-	(561)	-
Increase (decrease) in accounts payable	26,477	3,624	1,668	31,769	(869)
Increase (decrease) in due to	-	-	(622)	(622)	260
Increase (decrease) in unearned revenue	(2,344)	6,857	205	4,718	8,413
Increase (decrease) in compensated absences	9,876	-	224	10,100	201
Increase (decrease) in other liability/capital leases	62	-	-	62	630
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (218,667)**	**$ 211,887**	**$ 96,755**	**$ 89,975**	**$ 28,022**
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets acquired through capital leases	$ 25,875	$ -	$ -	$ 25,875	$ -
Capital assets contributed	4,467	-	3,122	$ 7,589	-
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	**$ 30,342**	**$ -**	**$ 3,122**	**$ 33,464**	**$ -**

The notes are an integral part of the financial statements.


IOWA

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	$ 330,284	$ 21,323	$ 218,228
Receivables:			
Accounts (net)	-	1,054	193,157
Contributions	74,554	-	-
Investments sold	419,218	-	-
Foreign exchange contracts	1,583,977	-	-
Interest & dividends	67,091	-	-
Total receivables	2,144,840	1,054	193,157
Investments, at fair value:			
Fixed income securities	8,030,362	-	-
Equity investments	9,379,161	3,028,493	-
Real estate partnerships	2,076,936	-	-
Investment in private equity/debt	2,870,875	-	-
Real assets	1,186,865		
Securities lending collateral pool	354,536	-	-
Securities on loan with brokers	16,703	-	-
Total investments	23,915,438	3,028,493	-
Capital assets:			
Land	500	-	-
Other - depreciable (net)	25,120	73	-
Total capital assets	25,620	73	-
Other assets	1,665	23	-
TOTAL ASSETS	**26,417,847**	**3,050,966**	**411,385**
LIABILITIES			
Accounts payable & accruals	1,616,311	143	411,385
Payable for investments purchased	781,493	-	-
Payable to brokers for rebate & collateral	368,703	-	-
TOTAL LIABILITIES	**2,766,507**	**143**	**411,385**
NET ASSETS			
Held in trust for:			
Pension/other postemployment benefits	23,651,340	-	-
Other purposes	-	3,050,823	-
TOTAL NET ASSETS	**$ 23,651,340**	**$ 3,050,823**	**$ -**

The notes are an integral part of the financial statements.

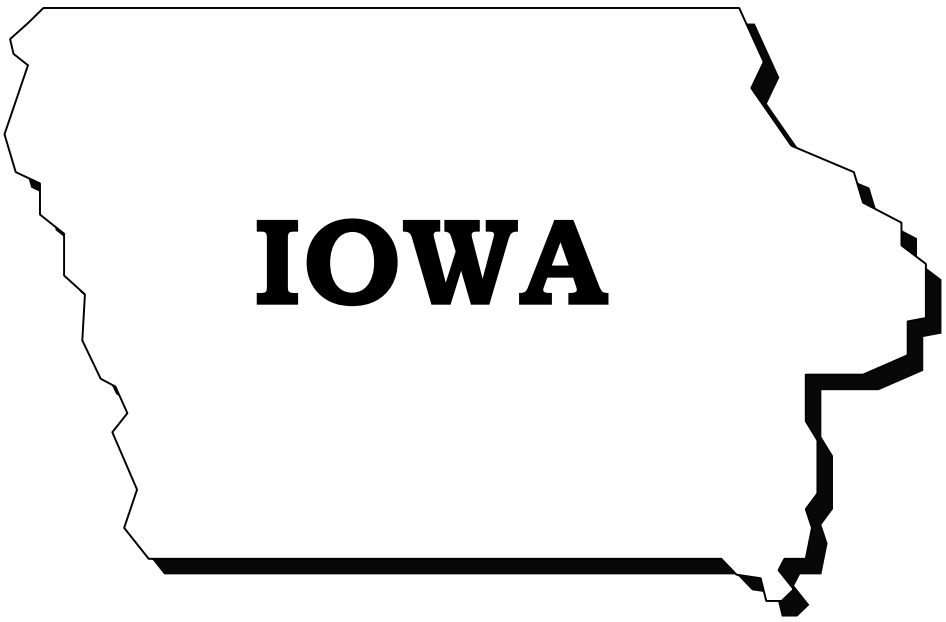
STATE OF IOWA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	$ 374,480	$ 316,396
Employer contributions	577,362	-
Buy-back/buy-in contributions	17,612	-
Other contributions	-	3,514
Gifts, bequests & endowments	-	3,239
Total contributions	969,454	323,149
Investment income:		
Net increase in fair value of investments	367,165	57,589
Interest	271,520	166
Dividends	113,814	-
Other	112,400	-
Total investment income	864,899	57,755
Less investment expense	50,074	-
Net investment income	814,825	57,755
Miscellaneous non-investing income	500	-
TOTAL ADDITIONS	**1,784,779**	**380,904**
DEDUCTIONS		
Pension & annuity benefits	1,581,733	-
Distributions to participants	-	197,511
Payments in accordance with agreements	1,238	-
Administrative expense	13,177	-
Refunds	43,328	-
Other	-	1,284
TOTAL DEDUCTIONS	**1,639,476**	**198,795**
CHANGE IN NET ASSETS	**145,303**	**182,109**
NET ASSETS - JULY 1	**23,506,037**	**2,868,714**
NET ASSETS - JUNE 30	**$ 23,651,340**	**$ 3,050,823**

The notes are an integral part of the financial statements.


IOWA

COMPONENT UNIT FINANCIAL STATEMENTS

Iowa Finance Authority issues bonds to assist in attainment of adequate housing for special needs individuals such as the low to moderate income and the disabled and to provide limited types of financing to small businesses.

Iowa Economic Development Authority undertakes programs to promote economic development including financing programs and the issuance of bonds.

Iowa Agricultural Development Authority undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes and provides financing for agricultural and soil conservation development and other various agricultural development programs.

Iowa State Fair Authority conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds.

Iowa Lottery Authority is used to account for lottery revenues, administrative and operating expenses of the Lottery Authority and the distribution of revenue to the General Fund.

The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation act primarily as fund-raising organizations to supplement the resources available to the State universities.

STATE OF IOWA
Statement of Net Assets
Component Units
June 30, 2012
(Expressed in Thousands)

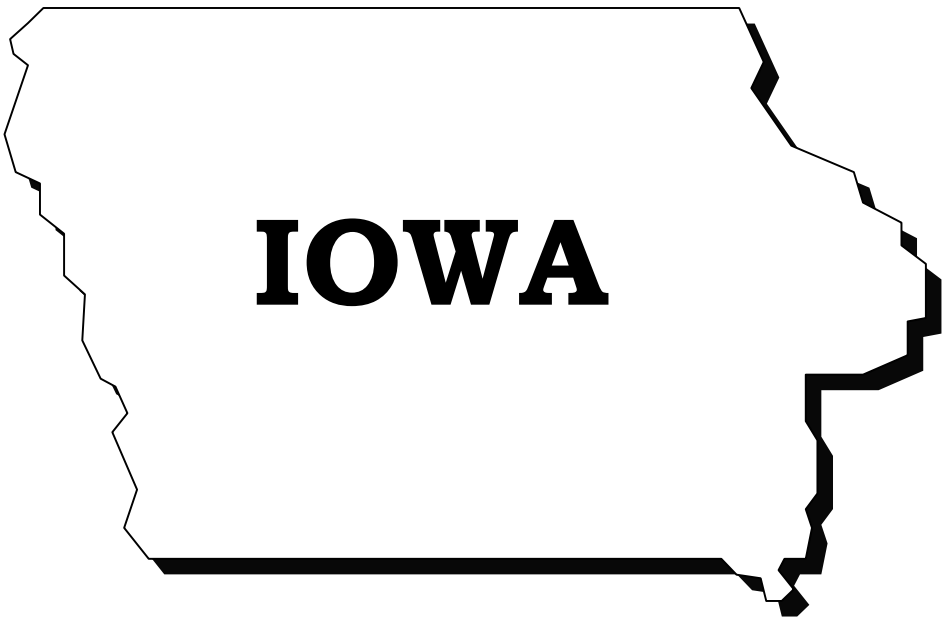
	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	TOTAL COMPONENT UNITS
ASSETS									
Current assets:									
Cash & investments	$ 719,476	$ 189,052	$ 734	$ 14,516	$ 31,862	$ 434,384	$ 159,810	$ 13,183	$ 1,563,017
Cash & investments - restricted	-	-	-	-	308	-	-	-	308
Accounts receivable	-	25,635	-	2,354	1,899	26,748	23,437	2,512	82,585
Interest receivable	7,860	-	47	44	8	-	-	-	7,959
Loans receivable (net)	65,386	4,639	173	-	-	-	-	-	70,198
Inventory	-	-	-	287	2,304	-	-	-	2,591
Prepaid expenses	-	73	-	-	15	445	-	-	533
Other	4,132	-	-	-	1,426	-	-	94	5,652
Total current assets	796,854	219,399	954	17,201	37,822	461,577	183,247	15,789	1,732,843
Noncurrent assets:									
Cash & investments	722,976	-	-	-	-	-	472,355	73,857	1,269,188
Cash & investments - restricted	-	-	2,958	-	-	510,015	-	-	512,973
Accounts receivable	-	-	-	1,384	-	77,909	71,470	5,075	155,838
Loans receivable (net)	1,281,736	63,467	2,138	-	-	-	1,543	-	1,348,884
Capital assets - nondepreciable	716	-	-	6,717	392	155	960	-	8,940
Capital assets - depreciable (net)	2,337	52	11	63,150	3,305	20,079	2,541	879	92,354
Other	50,204	-	-	-	13,250	-	4,158	1,419	69,031
Total noncurrent assets	2,057,969	63,519	5,107	71,251	16,947	608,158	553,027	81,230	3,457,208
TOTAL ASSETS	**2,854,823**	**282,918**	**6,061**	**88,452**	**54,769**	**1,069,735**	**736,274**	**97,019**	**5,190,051**
LIABILITIES									
Current liabilities:									
Accounts payable & accruals	29,323	41,806	38	875	32,535	1,031	842	1,149	107,599
Interest payable	31,042	-	-	-	3	-	-	-	31,045
Unearned revenue	-	-	-	72	179	-	-	-	251
Compensated absences	-	738	5	345	681	862	480	-	3,111
Capital leases	-	-	-	-	-	645	-	-	645
Bonds payable	49,837	-	-	-	100	-	99	-	50,036
Funds held in custody	-	-	-	-	-	80,457	1,939	-	82,396
Total current liabilities	110,202	42,544	43	1,292	33,498	82,995	3,360	1,149	275,083
Noncurrent liabilities:									
Accounts payable & accruals	60,925	594	22	-	13,906	25,423	22,472	2,843	126,185
Compensated absences	-	1,092	7	980	1,169	-	111	-	3,359
Capital leases	-	-	-	-	-	4,430	-	-	4,430
Bonds payable	1,615,356	-	-	-	1,000	-	2,581	-	1,618,937
Funds held in custody	-	-	-	-	-	-	5,432	-	5,432
Total noncurrent liabilities	1,676,281	1,686	29	980	16,075	29,853	30,596	2,843	1,758,343
TOTAL LIABILITIES	**1,786,483**	**44,230**	**72**	**2,272**	**49,573**	**112,848**	**33,956**	**3,992**	**2,033,426**
NET ASSETS									
Invested in capital assets, net of related debt	3,053	52	11	69,867	2,597	15,160	822	-	91,562
Restricted for specific purposes	1,051,334	41,457	5,300	4,580	-	935,287	684,534	88,826	2,811,318
Unrestricted	13,953	197,179	678	11,733	2,599	6,440	16,962	4,201	253,745
TOTAL NET ASSETS	**$ 1,068,340**	**$ 238,688**	**$ 5,989**	**$ 86,180**	**$ 5,196**	**$ 956,887**	**$ 702,318**	**$ 93,027**	**$ 3,156,625**

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2012
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	TOTAL COMPONENT UNITS
Expenses	$ 166,602	$ 302,502	$ 431	$ 21,714	$ 310,163	$ 114,107	$ 64,300	$ 14,023	$ 993,842
Program revenues:									
Charges for services	16,674	1,091	404	20,315	311,068	-	-	-	349,552
Operating grants & contributions	140,344	325,462	10	1,780	-	67,752	64,033	12,727	612,108
Capital grants & contributions	-	-	-	1,500	-	-	-	-	1,500
Total program revenues	157,018	326,553	414	23,595	311,068	67,752	64,033	12,727	963,160
Net program (expenses) revenues	(9,584)	24,051	(17)	1,881	905	(46,355)	(267)	(1,296)	(30,682)
General revenues:									
Investment income (loss)	84,675	787	16	26	106	(16,615)	(1,153)	(1,037)	66,805
Other	851	5,668	-	1	-	12,484	-	72	19,076
Total general revenues	85,526	6,455	16	27	106	(4,131)	(1,153)	(965)	85,881
Change in net assets	75,942	30,506	(1)	1,908	1,011	(50,486)	(1,420)	(2,261)	55,199
NETS ASSETS - JULY 1, RESTATED	**992,398**	**208,182**	**5,990**	**84,272**	**4,185**	**1,007,373**	**703,738**	**95,288**	**3,101,426**
NET ASSETS - JUNE 30	**$ 1,068,340**	**$ 238,688**	**$ 5,989**	**$ 86,180**	**$ 5,196**	**$ 956,887**	**$ 702,318**	**$ 93,027**	**$ 3,156,625**

The notes are an integral part of the financial statements.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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the State of Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

For financial reporting purposes, the State of Iowa includes all funds, departments, agencies and universities of the State. The State has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State of Iowa (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. The individual component unit financial statements can be obtained by contacting: Iowa Department of Administrative Services, State Accounting Enterprise, 3rd Floor, Hoover State Office Bldg., Des Moines, IA 50319.

Blended Component Units

These component units are entities which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State's primary government and are blended with the appropriate funds.

- Iowa Public Television Foundation (Special Revenue and Permanent Funds) serves as a funding medium for Iowa Public Television. It solicits and manages gifts of money or property for the exclusive purpose of granting gifts of money or property to Iowa Public Television. Iowa Public Television has sole discretion as to the use of the money or property. The State appoints a voting majority of the Foundation's board and has the ability to impose its will on the organization, as it can make personnel decisions regarding the management of the Foundation.
- Tobacco Settlement Authority (Special Revenue Fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- Honey Creek Premier Destination Park Authority (Special Revenue Fund), herein referred to as Honey Creek Authority, was created to issue bonds to provide financing for the development of the Honey Creek Park (Enterprise Fund). The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its purpose is to provide for and secure the issuance and repayment of its bonds.

Discretely Presented Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or its relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units include the financial data of these entities.

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as low to moderate income and the disabled, and to provide limited types of financing to small businesses. The nine members of the board of directors are appointed by the Governor and confirmed by the Senate.
- Iowa Economic Development Authority (Proprietary) undertakes programs to enhance economic development and to provide certain finance programs. The eleven members of the board of directors are appointed by the Governor and confirmed by the Senate. The State is able to impose its will on the Authority.

- Iowa Agricultural Development Authority (Proprietary) undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes and provides financing for agricultural and soil conservation development and other various agricultural development programs. The State appoints a voting majority of the board of directors and is able to impose its will on the Authority.
- Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State must approve any bonds issued by the Authority. (October 31 year-end)
- Iowa Lottery Authority (Proprietary) was created to operate the State Lottery. The five members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will on the Authority and its purpose is to produce the maximum amount of net revenues for the State in a dignified manner that maintains the general welfare of the people.
- The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation (Foundations) are legally separate, tax exempt entities. They act primarily as fund-raising organizations to supplement the resources available to the State Universities (Universities) in support of their programs. Although the State does not control the timing or amount of receipts from the Foundations, the majority of resources they hold and invest, and income thereon, are restricted to the activities of the Universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

  During the year ended June 30, 2012, the Foundations distributed $147.1 million to the Universities for academic and institutional support.

  The Foundations are private, nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information; however, the Foundations' assets and liabilities and revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Assets and Statement of Activities.

Related Organizations

These related organizations are excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organizations' board members. Financial statements are available from the respective organizations.

- Iowa Student Loan Liquidity Corporation
- Iowa Comprehensive Health Association
- Turkey Marketing Council

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

Governmental Fund Balance Reporting

The fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balance includes inventory, prepaid items, noncurrent receivables and principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

Spendable fund balance includes resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balance is further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications:

Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.

Assigned – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.

Unassigned – includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

When both restricted and unrestricted (committed, assigned, unassigned) resources are available for use, generally it is the State's policy to use restricted resources first. Also, when committed or unassigned resources are available to be spent for the same purpose, the State's policy is, in general, to spend committed resources first followed by unassigned resources.

D. Financial Statement Presentation

The State reports the following major governmental funds:

General Fund

The *General Fund* is the State's principal operating fund. It accounts for all financial resources except those accounted for in another fund.

Special Revenue Funds

Tobacco Settlement Authority – The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenses and repayment of debt.

Tobacco Collections Fund – The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority. Per Code of Iowa Section 12E.12.1.b(3)(b), the State's portion is then transferred to the Rebuild Iowa Infrastructure Fund.

The State reports the following major proprietary funds:

Enterprise Funds

University Funds account for the operations of the State's public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

The *Unemployment Benefits Fund* receives federal funds and contributions from employers to provide benefits to eligible unemployed workers.

In addition, the State reports the following fund types:

Governmental Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than permanent or capital projects) that are legally restricted to expenditures for a specified purpose.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds account for resources legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

Proprietary Funds

Enterprise Funds account for the activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governmental units, on a cost reimbursement basis. The activities accounted for in internal service funds include information technology, workers' compensation, fleet operations, printing and mail services and property management.

Fiduciary Funds

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held for the members and beneficiaries of the State's defined benefit pension plans and other postemployment benefit plans. The pension plans included are the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS).

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include Iowa Educational Savings Plan Trust, Veterans Affairs donations, Braille & Sight Saving School Fund and Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund.

Agency Funds account for resources held by the State in a purely custodial capacity. These funds include tax collections, fines, fees and payroll deductions.

E. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Most revenues, including taxes, fees, charges for services, refunds and reimbursements and receipts from other entities, are considered by the State to be available if collected within 60 days of the end of the fiscal year. Investment earnings are recorded as earned since they are measurable and available.

Expenditures are recognized when the related fund liability is incurred. An exception to the general modified accrual expenditure recognition criteria is the principal and interest on general long-term debt which is recognized when due. Income tax refunds are accrued for claims related to tax periods ended by June 30th, of the fiscal year, and paid within 60 days.

Proprietary and fiduciary fund statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. *General revenues* include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Cash, Investments and Securities Lending

Cash in most funds is held in the State treasury and is commingled in State bank accounts and investments. The moneys of most funds are pooled together and invested as an investment pool by the Treasurer of State (Treasurer). However, moneys of some funds may be invested separately from the investment pool where permitted by statute.

Investment earnings of the investment pool are allocated to the individual funds as provided by statute. Income of $4,462,138 associated with certain funds has been assigned to other funds for fiscal year 2012.

The Treasurer's deposits in financial institutions throughout the year and at year-end were entirely covered by the Federal Deposit Insurance Corporation, collateral held by the Treasurer's custodial banks in the Treasurer's name or by the bank assessment provisions of Section 12C.23 of the Code of Iowa.

The Treasurer may invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit in Iowa financial institutions; prime bankers' acceptances, commercial paper or other short-term corporate debt; repurchase agreements; investments authorized for Iowa Public Employees' Retirement System in section 97B.7A; money market mutual funds organized in trust form; obligations of the Iowa Finance Authority issued pursuant to Chapter 16 of the Code of Iowa and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is calculated at market price at the close of business on June 30 by independent pricing services utilized by the Treasurer's custodian bank. However, certain cash equivalent investments, such as commercial paper, bankers' acceptances, certificates of deposit, guaranteed investment contracts and discount notes issued by government agencies, are valued using

purchase price. IPERS has derivatives that are reported on the Statement of Fiduciary Net Assets at fair value. (See NOTE 15 – PENSION PLANS.)

Certain State institutions participate in the Iowa Public Agency Investment Trust (IPAIT), a state and local government pooled investment account, created by Code of Iowa Chapter 28E. IPAIT is managed by Investors Management Group and is registered with the Securities and Exchange Commission. IPAIT follows established money market mutual fund parameters designed to maintain a $1 per unit net asset value.

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, investments readily convertible to known amounts of cash and investments so near their maturity they present insignificant risk of changes in value because of changes in interest rates. In the Statements of Cash Flows, investments with an original maturity of three months or less are considered cash equivalents.

IPERS, PORS and JRS (together the "Systems") participate in a securities lending program with the State's custodian bank. The participation of IPERS is authorized by the Code of Iowa and the participation of PORS and JRS is authorized by their Boards of Trustees. The custodian bank is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the Systems to broker-dealers and other entities in exchange for collateral. The custodian bank is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. The types of securities on loan included equity investments and fixed income securities.

A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income. Securities received as collateral cannot be sold or pledged unless the borrower defaults.

At year-end, IPERS had $1,610,425 credit risk exposure to borrowers because the amounts of collateral held on each loan exceeded 100% of the borrowed securities market value. Additional collateral was provided the next business day, eliminating this exposure. At year-end, PORS and JRS had no credit risk exposure to borrowers because the amounts the borrowers owed PORS and JRS did not exceed the amount owed them. The contracts with the custodian bank requires it to indemnify the Systems if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2012, the Systems had securities on loan, including accrued interest income, with a total value of $363.7 million against collateral with a total value of $368.8 million.

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the Systems or the borrower. Cash collateral received from borrowers is invested in a cash collateral investment pool which is managed by the custodian bank in accordance with investment guidelines established by the Systems. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. (See NOTE 2.)

The effective duration of the cash collateral pool at June 30, 2012, for IPERS was 0.01. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2012, for IPERS is as follows (expressed in thousands):

Securities Lending Collateral Pool

Investment Type	Fair Value	Credit Risk S&P Quality Rating	Investment Maturity (Years)
Mutual funds	$ 127,689	Not Rated	Less than 1
Overnight repurchase agreements	210,000	Not Rated	Less than 1
Total	$ 337,689		

G. Accounts Receivable

Accounts receivable have been established and offset with proper provisions for estimated uncollectible accounts where applicable. Practically all receivables of governmental funds are due from other governmental entities, primarily the federal government, and are considered collectible. Receivables in other funds have arisen in the ordinary course of business.

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered "available" is recorded as revenue; the remainder is recorded as deferred revenue.

H. Inventories

Inventories are valued at cost, which approximates market. The first-in/first-out (FIFO) cost flow method is used for the majority of inventories. Throughout the year, costs of inventories are recorded as expenditures when purchased. For financial reporting purposes, expenditures are adjusted at fiscal year end for material inventory amounts to correlate with the consumption method. Inventory asset amounts are not available for budgetary appropriation as they have been charged to expenditures when purchased rather than when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been classified as nonspendable to indicate it is not available for appropriation.

J. Capital Assets

Capital assets are reported in the government-wide financial statements and proprietary fund statements at historical cost. Donated capital assets are reported at their estimated fair market value at the time of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Infrastructure and intangible assets, as defined by the State's policy, acquired after June 30, 1980, are reported. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	$ 1,000,000
Intangible assets	$ 500,000
Land, buildings and improvements	$ 50,000
Equipment	$ 5,000

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The government-wide, proprietary fund and component unit financial statements report depreciation expense. The following useful lives are used:

Infrastructure	10-50 years
Buildings	20-50 years
Improvements other than buildings	20-50 years
Intangible assets	5-20 years
Equipment	2-20 years
Vehicles	3-10 years

Each University sets its own capitalization threshold and useful life policies. See individual university audit reports.

K. Compensated Absences

Employees' compensated absences are accrued when earned. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death or termination. With certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of $2,000 upon retirement. Employees may elect to use a portion of accrued sick leave balances to pay the state share of group health insurance premiums upon retirement. The

liability for accrued compensated absences as reported in the government-wide and proprietary fund financial statements is based on the current rates of pay.

L. Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts and issuance costs for proprietary fund types are generally deferred and amortized over the terms of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method.

Long-term liabilities due within one year of the date of the statements are classified as current liabilities.

In governmental fund types, bond discount and issuance costs are recognized in the current period.

M. Interfund Activity and Balances

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

N. Encumbrances

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services not received or rendered are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability, or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

O. Stabilization Arrangements (Reserve Funds)

The State maintains two funds for emergency expenditures: the Iowa Economic Emergency Fund and the Cash Reserve Fund. The Iowa Economic Emergency Fund and the Cash Reserve Fund were created in Iowa Code Sections 8.55 and 8.56.

The maximum balance of the Iowa Economic Emergency Fund is the amount equal to 2.5 percent of the adjusted revenue estimate for the fiscal year. The moneys in this fund may only be appropriated by the General Assembly for emergency expenditures and only in the fiscal year for which the appropriation is made.

The maximum balance of the Cash Reserve Fund is equal to 7.5 percent of the adjusted revenue estimate for the General Fund of the State for the current fiscal year. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the fund by the end of each fiscal year. The moneys in this fund may only be appropriated by the General Assembly for payment of nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. An appropriation shall not be made from this fund if the appropriation would cause the fund's balance to be less than 3.75 percent of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The fund balances for the Iowa Economic Emergency Fund and the Cash Reserve Fund are included in the *committed* spendable fund balance classification.

P. Minimum Fund Balance Requirements

Currently, the State has six governmental funds which are required by statute, federal regulations or bonding requirements to maintain minimum fund balances. However, the State does not have a formally adopted policy regarding minimum fund balances.

Q. Budgeting and Budgetary Control

There are no material violations of finance-related legal and contractual provisions. Budgetary comparison schedules and related disclosures are reported as Required Supplementary Information (RSI).

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

Investments of the primary government and fiduciary funds at June 30, 2012, are scheduled as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 189,257
U.S. government agency	282,313
Government asset and mortgage-backed	2,099,584
Corporate bonds	529,493
Corporate asset backed	19,752
Private placements	18,536
Guaranteed investment contracts	59,199
Fixed income mutual funds	676,271
Other fixed income	18,123
Commerical paper	1,000
Total fixed	3,893,528
Equity:	
U.S. equity	205,547
Private equity	19,980
Real estate	9,696
Non U.S. equity	116,042
Money market funds	148,527
Pooled & mutual funds	730,046
Investment pools	8,945
Other	48,609
Total equity	1,287,392
Total invested assets	$ 5,180,920

Fiduciary Funds

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 1,727,933
U.S. government agency	344,825
Government asset and mortgage-backed	1,386,463
Corporate bonds	2,141,175
Corporate asset backed	188,249
Private placements	662,672
Commingled bond funds	2,486,949
Other fixed income	647,762
Total fixed	9,586,028
Equity:	
U.S. equity	4,333,303
Private equity	2,870,875
Real estate	2,130,343
Commingled & mutual funds	7,869,111
Investment pools	640
Other	18,422
Total equity	17,222,694
Total invested assets	$ 26,808,722

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the State.

The Treasurer's investment policy requires that domestic commercial paper maturing within 270 days from the date of purchase have the highest rating of both Standard & Poor's and Moody's on the date of purchase. Investments in short-term corporate debt, other than commercial paper maturing within 270 days from the date of purchase, are limited to one of the two highest ratings of either Standard & Poor's or Moody's on the date of purchase, provided at the time of purchase no more than 5% of amounts invested in short-term corporate debt or commercial paper are rated in the second highest rating. Investments in obligations or guaranteed investment contracts of domestic corporations with maturities greater than 270 days from the date of purchase are limited to long-term ratings of not less than A2 by Moody's and not less than A by Standard & Poor's. Investments in asset-backed securities are limited to those rated AAA by Standard & Poor's or Aaa by Moody's.

The State Board of Regents establishes policy and sets objectives for the Universities' investments. Credit quality limitations for investments of operating funds are: the weighted average credit quality of each University's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield; commercial paper or other short-term corporate debt maturing within 270 days rated within the two highest classifications, as established by at least one of the standard rating services, provided that at the time of purchase no more than 5% of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification; obligations of the Iowa Finance Authority (Authority) provided at the time of purchase the Authority has an issuer credit rating within the two highest classifications or the obligations to be purchased are rated within the two highest classifications, as established by at least one of the standard rating services; corporate debt with a maturity of greater than 270 days that is rated investment grade by Standard & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase.

Credit quality limitations for the Universities' endowment funds are: the weighted average credit quality of each University's endowment fixed income portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield.

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems. Each IPERS portfolio is managed in accordance with an investment contract that is specific as to permissible quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to IPERS', PORS' and JRS' securities lending program is found under the securities lending disclosures found in NOTE 1 F of these notes.

Investments in debt securities of the U. S. Government or obligations of U. S. Government agencies that are explicitly guaranteed by the U. S. Government are disclosed in the TSY and AGY columns of the credit risk schedules.

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2012, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Primary Government

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B & Below	A1+P1	NR
U.S. government treasuries, notes & bonds	$ 189,257	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. government agency	-	40,805	45,866	194,825	-	604	-	-	-	213
Government asset and mortgage-backed	-	-	69	2,099,488	13	14	-	-	-	-
Corporate bonds	-	-	11,448	12,298	31,050	11,257	883	-	436,723	25,834
Corporate asset backed	-	-	4,434	-	4	-	-	-	-	15,314
Private placements	-	-	4,600	10,879	14	21	14	-	-	3,008
Guaranteed investment contracts	-	-	-	-	59,199	-	-	-	-	-
Fixed income mutual funds	49,759	-	146,485	343,631	41,664	11,734	17,828	65,109	-	61
Other fixed income	-	-	-	10,368	755	-	-	-	-	7,000
Commercial paper	-	-	-	-	-	-	-	-	1,000	-
Total	$ 239,016	$ 40,805	$ 212,902	$2,671,489	$132,699	$ 23,630	$ 18,725	$ 65,109	$437,723	$ 51,430

Credit Risk - S & P Quality Ratings

Fiduciary Funds

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B	CCC & Below	NR
U.S. government treasuries, notes & bonds	$1,727,933	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. government agency	-	-	2,101	292,842	2,422	761	159	-	-	46,540
Government asset and mortgage-backed	-	147,061	83,962	748,372	64,895	24,960	5,977	2,232	30,086	278,918
Corporate bonds	-	-	9,997	59,006	473,547	478,954	408,968	436,429	98,167	176,107
Corporate asset backed	-	-	75,445	44,801	10,006	2,979	1,848	5,317	3,165	44,688
Private placements	-	-	77,245	35,900	45,821	91,794	168,100	145,715	10,415	87,682
Commingled bond funds	1,347,488	90,881	780,865	44,550	119,571	102,642	-	-	-	952
Other fixed income	-	-	551,167	15,997	26,607	26,391	10,313	4,570	-	12,717
Total	$3,075,421	$237,942	$1,580,782	$1,241,468	$742,869	$728,481	$595,365	$594,263	$141,833	$ 647,604

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

The Treasurer manages interest rate risk by utilizing a buy-and-hold strategy, maturity limitations and diversification parameters and liquidity requirements set by the Investment Committee.

Maturity Limitations: No investment shall be made in a U.S. Treasury note or bond with a maturity that exceeds ten years, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation for U.S. Treasury, government agency or instrumentality securities does not apply to such securities if accepted as collateral under a repurchase agreement.) No investment shall be made in an asset-backed security that has an expected average life greater than two years at the time of purchase, and a final maturity greater than three years at the time of purchase. The maturities of commercial paper and bankers' acceptances shall not exceed 270 days at the time of purchase. The maturities of all other investments shall not exceed 25 months at the time of purchase.

Maturity Diversification: The Investment Committee shall set permitted maximum dollar amounts that can be invested in specific maturity sectors that are consistent with the overall portfolio strategy and this investment policy.

Liquidity Reserve: The Investment Committee shall specify how much liquidity shall be reserved to ensure adequate cash is available to meet any unexpected expenditures that may occur. The liquidity reserve should be

continuously invested in money market mutual funds or money market accounts with Iowa financial institutions or short-term money market accounts.

The Universities' policies for the operating portfolio prohibit investment in securities that at the time of purchase have effective maturities exceeding 63 months and that the maximum duration of each portfolio shall not exceed the duration of the Merrill 1-3 Government/Corporate Index by more than 20%. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolio.

IPERS manages interest rate risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of IPERS' fixed income portfolios are managed in accordance with investment contracts that require the effective duration of the portfolio shall always remain between 80% and 120% of the effective duration measure of the Index.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2012, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 189,257	3.30
U.S. government agency	282,313	2.05
Government asset and mortgage-backed	2,099,584	0.35
Corporate bonds	529,493	0.36
Corporate asset backed	19,752	0.32
Private placements	18,536	0.23
Guaranteed investment contracts	59,199	4.00
Fixed income mutual funds	676,271	5.59
Other fixed income	18,123	0.17
Commerical paper	1,000	0.03
Total	$ 3,893,528	1.58

Fiduciary Funds

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 1,727,933	6.00
U.S. government agency	344,825	1.74
Government asset and mortgage-backed	1,386,463	2.03
Corporate bonds	2,141,175	5.07
Corporate asset backed	188,249	0.42
Private placements	662,672	4.29
Commingled bond funds	2,486,949	5.93
Other fixed income	647,762	1.25
Total	$ 9,586,028	4.50

Foreign Currency Risk

Foreign currency risk is the risk changes in exchange rates will adversely impact the fair value of an investment. IPERS' allows its investment managers the discretion to hedge their foreign currency exposures. PORS' external managers may or may not hedge the portfolios' foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS generally does not allow its investment managers to enter into currency positions greater than 100 percent or less than 0 percent of the underlying asset exposure in their respective portfolios. The only exceptions are (1) as it relates to specific cross-hedging activity, which may be permitted in certain investment manager contracts, and (2) in global macro investment strategies where the manager is permitted to tactically allocate across several asset classes and strategies, including currency. IPERS' net foreign currency exposure of the global macro managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2012.

Foreign currency risk by investment type for the pension system fiduciary funds, at June 30, 2012, follows (expressed in thousands):

	Total	Fixed Income	Equity	Derivatives	Cash
Argentine peso	$ 1	$ -	$ -	$ -	$ 1
Australian dollar	113,134	1,383	136,759	28,122	(53,130)
Brazilian real	39,454	1,263	38,176	-	15
Canadian dollar	14,790	5,776	1,707	(82,107)	89,414
Chilean peso	1,877	-	1,877	-	-
Chinese yuan renminbi	72	-	72	-	-
Czech koruna	1,498	-	1,498	-	-
Danish krone	19,329	-	19,251	-	78
Euro	649,217	13,289	716,370	193,948	(274,390)
Hong Kong dollar	184,388	-	182,884	(19,808)	21,312
Hungarian forint	1,242	-	1,242	-	-
Iceland krona	40	-	-	-	40
Indian rupee	10,984	5	10,979	-	-
Indonesian rupiah	15,847	-	15,709	-	138
Japanese yen	314,166	-	340,820	(89,163)	62,509
Malaysian ringgit	14,696	-	14,651	-	45
Mexican new peso	28,957	13,398	14,893	-	666
New Zealand dollar	4,822	1,332	-	-	3,490
Norwegian krone	48,819	-	28,075	-	20,744
Peruvian nuevo sol	725	-	725	-	-
Philippine peso	4,186	-	4,186	-	-
Polish zloty	2,159	-	2,159	-	-
Pound sterling	170,351	5,095	161,174	(62,754)	66,836
Russian ruble	7,158	-	7,158	-	-
Singapore dollar	28,144	-	27,955	-	189
South African rand	15,470	-	15,462	-	8
South Korean won	116,381	-	116,345	-	36
Swedish krona	62,126	-	11,834	-	50,292
Swiss franc	28,678	-	54,673	-	(25,995)
Taiwanese dollar	72,182	-	72,182	-	-
Thai baht	20,103	-	20,103	-	-
Turkish new lira	9,405	-	9,259	-	146
Total	$ 2,000,401	$ 41,541	$ 2,028,178	$ (31,762)	$ (37,556)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Policies of the Treasurer, Universities and Systems limit investment in any single issuer or corporate entity to no more than 5% of the market value of the portfolio or account. The policy does not apply to investments in U.S. Treasuries, government agencies or instrumentalities.

Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk the State's deposits may not be returned to it in the event of a bank failure. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public fund deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceeds the total capital of the bank. If a bank fails, the Treasurer would liquidate any collateral the bank had pledged and use the proceeds to repay public units. If the proceeds from the sale of the collateral were not sufficient to reimburse the public units, the Treasurer would use money from the sinking fund to make the public units whole. If there is not enough

money in the sinking fund to cover the uninsured public deposits, the Treasurer would assess a proportional share of the loss against all remaining banks whose public funds deposits exceeded FDIC insurance to satisfy the remaining loss. The Universities and the Systems have no formal policy for custodial credit risk. The $1,267.8 million total combined bank deposits of the primary government and fiduciary funds at June 30, 2012, was exposed to custodial credit risk for $746.6 million of uninsured and uncollateralized bank deposits, of which $723.6 million was invested in money market funds as cash equivalents.

Investments: Custodial credit risk for investments is the risk the State will not be able to recover the value of its investment or collateral securities in the possession of an outside party in the event of a failure of the counterparty. The Treasurer's investment policy requires that all pooled investments be held by a third party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the $31,989.6 million total combined investments of the primary government and fiduciary funds at June 30, 2012, $1.5 million was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the State's name.

The State's Unemployment Benefits Fund had $573.6 million on deposit with the U.S. Treasury. This amount is presented as Cash and Investments but is not included in the carrying amounts of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

Deposits with Trustees

Deposits with trustees totaled $13.8 million at June 30, 2012. $1.1 million was invested in fixed U.S. Government Agency securities with an effective duration of 0.65 years and a credit quality rating of AA. $4.6 million was invested in equity securities not subject to credit quality ratings and the remaining $8.2 million were cash and cash equivalents.

B. Component Units

Investments of the component units at June 30, 2012, are scheduled as follows (expressed in thousands):

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 17,199
U.S. government agency	207,659
Government asset and mortgage-backed	707,926
Corporate bonds	19,136
Guaranteed investment contracts	90,994
Total fixed	1,042,914
Equity:	
Money market funds - commingled	321,535
Municipal	243
Total equity	321,778
Total invested assets	$ 1,364,692

The Universities Foundations' cash and investments of $1,663.6 million are not subject to GASB disclosure requirements.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the component units. The component units have no formal policy to manage credit risk. The exposure to credit risk for the component units fixed income investments at June 30, 2012, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Investment Type	TSY	AGY	AA	A	NR
U.S. government treasuries, notes & bonds	$ 17,199	$ -	$ -	$ -	$ -
U.S. government agency	-	203,862	3,797	-	-
Government asset and mortgage-backed	-	411,350	296,576	-	-
Corporate bonds	-	-	6,058	10,077	3,001
Guaranteed investment contracts	-	-	13,666	73,993	3,335
Total	$ 17,199	$ 615,212	$320,097	$ 84,070	$ 6,336

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. The component units do not have formal policies that limit investment maturities as a means of managing exposure to credit risk.

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2012, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, notes & bonds	$ 17,199	3.90
U.S. government agency	207,659	1.03
Government asset and mortgage-backed	707,926	24.98
Corporate bonds	19,136	1.28
Guaranteed investment contracts	90,994	0.50
Total	$ 1,042,914	17.29

C. University Endowments

For donor restricted endowments, Chapter 540A of the Code of Iowa permits Universities to spend endowment income and to appropriate, within certain limitations, an amount of realized and unrealized endowment appreciation as the Universities determine to be prudent considering their long-term and short-term needs, their present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

The Universities' policies are to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the Universities. Spending rules for the Universities are as follows:

- The University of Iowa's spending rule adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 6% of calendar year end market values.
- Iowa State University's spending rule is 5.5%, including a 1.25% administrative fee, of the three-year moving market average.
- The University of Northern Iowa's spending rule is 5.0% of the three-year moving average of the market value of the fund.

Net appreciation of endowment funds available to meet spending rate distributions are as follows:

	Amount	Net Asset Classification
University of Iowa	$ 9,797,000	Restricted nonexpendable net assets
Iowa State University	8,074,209	Restricted expendable net assets
University of Northern Iowa	615,159	Restricted expendable net assets

D. Derivatives

Fiduciary Funds

GASB Statement No. 53 requires the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either a hedging derivative or an investment derivative. All of IPERS' derivative exposures at June 30, 2012, are categorized as investment derivatives and, therefore, the hedge accounting provisions of GASB Statement No. 53 are not applicable.

Some of the IPERS' external investment managers may be permitted through their individual investment contracts to use derivative instruments, subject to the IPERS' derivative policy. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices, or derivatives. While this definition includes the most common type of derivative, collateralized mortgage obligations (which typically make up a portion of IPERS' fixed income portfolio), it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, and swaptions. IPERS' managers are not permitted to utilize derivatives for speculative purposes, but may use them to efficiently access desired markets and to control and manage portfolio risk. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes, managing duration risk, augmenting index fund performance through index arbitrage, and portable alpha strategies.

The various derivatives utilized by IPERS' investment managers are described below. Although the notional values associated with these derivative instruments are not recorded in the financial statements, the fair value amounts of exposure (unrealized gains/losses) are reported in the Statement of Plan Net Assets. IPERS holds investments in limited partnerships and commingled investment funds, which may utilize derivatives from time to time for hedging purposes, and any derivative held by these types of investment vehicles, are not included in the information describing IPERS' derivatives.

IPERS could be exposed to risk if the counterparties to derivatives contracts are unable to meet the terms of the contracts. IPERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. IPERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Limited partnerships and commingled investment vehicles in which IPERS invests may also have exposure to counterparty risk from the use of derivatives for hedging purposes.

Futures and Options Contracts: IPERS had investments in various futures and options during the year. These contracts are reported at their fair value in the Statement of Plan Net Assets.

Futures and options can potentially offer lower-cost and more efficient alternatives to buying the underlying securities or currency. Futures and options can also serve to minimize certain unwanted risks within the portfolio. The market, currency, and credit risk of the futures were the same as if IPERS had owned the underlying securities or currency.

Schedules of futures and options contracts outstanding at June 30, 2012, follow (expressed in thousands):

Futures Exposure Summary

	Expiration Date	Long/Short	Notional Value	Fair Value
Amsterdam Index	July 2012	Long	$ 50,856	$ 2,562
CAC 40 Euro Index	July 2012	Short	(2,662)	(51)
Hang Seng Index	July 2012	Short	(19,293)	(515)
IBEX 35 Index	July 2012	Short	(1,096)	(57)
10-year Australian bonds	September 2012	Short	(115,159)	35
10-year Canadian bonds	September 2012	Short	(103,521)	(644)
10-year Japanese bonds	September 2012	Short	(54,032)	6
10-year Japanese minibonds	September 2012	Long	2,209	6
10-year U.S. Treasury notes	September 2012	Short	(28,626)	(590)
2-year U.S. Treasury notes	September 2012	Short	(101,779)	52
5-year U.S. Treasury notes	September 2012	Short	(112,360)	(203)
DAX Index	September 2012	Long	21,084	885
E-mini (S&P 500)	September 2012	Long	127,620	4,696
Euro Bunds	September 2012	Long	141,573	(2,817)
FTSE 100 Index	September 2012	Short	(2,500)	(100)
FTSE/MIB Index	September 2012	Short	(14,910)	(1,418)
S&P Canada 60	September 2012	Long	21,782	276
SPI 200 Index	September 2012	Long	28,386	(107)
TOPIX Index	September 2012	Short	(34,115)	(3,184)
U.K. Long Gilt	September 2012	Short	(59,763)	(391)
U.S. Treasury bonds	September 2012	Short	(13,588)	(25)
U.S. Ultra Bonds	September 2012	Long	9,660	351
90-day Eurodollar	March 2015	Short	(9,380)	(35)
Total			$(269,614)	$ (1,268)

Options Exposure Summary

	Expiration Date	Long/Short	Type	Strike Price	Fair Value
90-day Eurodollar	September 2012	Long	Put	$ 98.00	$ 1
90-day Eurodollar	September 2012	Short	Put	97.50	(1)
Eurodollar 2-year mid-curve	December 2012	Long	Put	97.25	1
Eurodollar 2-year mid-curve	December 2012	Short	Put	97.50	(1)
Eurodollar 2-year mid-curve	December 2012	Long	Put	98.00	5
Eurodollar 2-year mid-curve	December 2012	Short	Put	98.25	(19)
Eurodollar 2-year mid-curve	December 2012	Long	Put	98.75	51
Eurodollar 3-year mid-curve	July 2012	Long	Put	98.63	3
Eurodollar 3-year mid-curve	September 2012	Long	Put	97.50	1
Eurodollar 3-year mid-curve	December 2012	Long	Put	97.25	5
Eurodollar 3-year mid-curve	December 2012	Short	Put	97.75	(20)
Eurodollar 3-year mid-curve	December 2012	Long	Call	98.25	22
10-year U.S. Treasury notes	August 2012	Short	Put	134.50	(49)
10-year U.S. Treasury notes	July 2012	Short	Put	129.50	(2)
10-year U.S. Treasury notes	July 2012	Long	Put	131.00	15
10-year U.S. Treasury notes	August 2012	Short	Put	131.50	(23)
Total					$ (11)

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2012, the notional value of the credit default swaps held in IPERS' fixed income portfolio was $9.2 million. The credit default swaps are reported at a fair value of $234,404 in the Statement of Plan Net Assets.

Interest Rate Swaps: Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or swapping floating-rate obligations for fixed-rate obligations. By utilizing interest rate swaps, IPERS' investment managers are able to synthetically alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2012, the notional value of the interest rate swaps held in IPERS' fixed income portfolio was $42.8 million. All interest rate swaps held by IPERS' are reported at a fair value of $366,404 in the Statement of Plan Net Assets.

A swaption represents the option to enter into an interest rate swap. In exchange for an option premium, the buyer gains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date. The agreement will specify whether the buyer of the swaption will be a fixed-rate receiver (like a call option on a bond) or a fixed-rate payer (like a put option on a bond). At June 30, 2012, the net notional value of the interest rate swaps held in the System's fixed income portfolio was $46.0 million. The strike rate on the swaptions was 1.40 percent and the swaptions expire in March 2013. All swaptions held by the System are reported in the Statement of Plan Net Assets at a fair value of $(516,294).

Total Return Swaps: A total return swap is a contract in which two parties swap payments based on the total return of a reference asset. The reference asset may be any asset, index, or basket of assets. At June 30, 2012, the notional value of the total return swaps held in IPERS' fixed income portfolio was $(75.0) million. The total return swaps held by IPERS are reported at a fair value of $4,159 in the Statement of Plan Net Assets.

Mortgage-Backed Securities: IPERS invests in mortgage-backed securities, which are reported in the Statement of Plan Net Assets at fair value based on estimated future cash flows from the interest and principal payments of the underlying mortgages. As a result, mortgage-backed securities prices are sensitive to prepayments by mortgagees, which are more likely in declining interest rate environments. IPERS invests in mortgage-backed securities to diversify the portfolio and earn the return premium associated with prepayment risk.

Component Units

Iowa Finance Authority (Authority), a discretely presented component unit of the State, has derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The derivatives consist of swap, cap and corridor agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

The Authority reports hedging derivative instruments as either deferred inflows or outflows and investing derivative instruments as investments. The change in the fair value of the investing derivative instruments is reported in the statement of activities.

Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available if fixed rate borrowings were made directly. These contracts involve the exchange of variable rate for fixed rate payments between parties, without the exchange of the underlying debt, based on a common notional amount and maturity date.

The terms of the swap hedging derivative instruments outstanding at June 30, 2012, follows (expressed in thousands):

Bond Series	2012 Notional Amount	Effective Date	Termination Date	Term		Counterparty Rating
				Pay	Receive	
SF 2002 I	$ 4,790	10/30/2002	7/1/2032	3.365%	SIFMA Swap Index + 0.10%	A2
SF 2004 B	14,115	12/2/2004	7/1/2034	4.028%	Enhanced LIBOR	A2
SF 2004 D	10,605	2/3/2005	7/1/2020	4.007%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	A2
SF 2004 G	12,635	6/1/2005	7/1/2034	3.867%	Enhanced LIBOR	A2
SF 2005 C	15,645	11/1/2005	1/1/2036	4.140%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	A2
SF 2005 E	14,965	1/1/2011	1/1/2036	3.817%	Enhanced LIBOR	A2
SF 2005 H	16,580	1/1/2011	7/1/2036	3.843%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	A2
SF 2006 C	12,000	9/1/2006	1/1/2036	3.760%	Enhanced LIBOR	A2
SF 2006 F	12,000	11/1/2006	7/1/2036	4.632%	SIFMA Swap Index + 0.10%	A2
SF 2007 C	21,575	3/8/2007	7/1/2025	5.289%	LIBOR	A2
SF 2007 G	19,360	7/12/2007	1/1/2019	5.493%	LIBOR	A2
SF 2007 M	16,760	12/12/2007	7/1/2021	4.373%	LIBOR	A2
SF 2007 N	14,140	12/12/2007	1/1/2039	4.364%	SIFMA Swap Index + 0.06%	A2
MF 2008 A	3,650	4/17/2008	6/1/2024	3.971%	SIFMA Swap Index + 0.08%	A2
SF 2008 B	17,310	1/1/2011	1/1/2039	4.470%	SIFMA Swap Index + 0.06%	A2
SF 2008 C	19,520	4/16/2008	1/1/2026	3.880%	LIBOR	A2
SF 2008 F	17,330	10/1/2008	1/1/2039	4.529%	SIFMA Swap Index + 0.08%	A2
SF 2008 G	15,510	10/1/2008	7/1/2018	4.173%	LIBOR	A2

Interest rate cap derivatives, where payments are received at the end of each period based on a notional amount when the interest rate exceeds the agreed upon strike rate. A corridor agreement is an interest rate cap with an upper limit, or ceiling, where the cap ceases to pay above the ceiling rate. Terms of the cap and corridor instruments outstanding at June 30, 2012, follows (expressed in thousands):

Bond Series	2012 Notional Amount	Effective Date	Termination Date	Strike Rate	Ceiling Rate
SF 2003 B	$ 150	3/19/2003	7/2/2012	6% 3 mo LIBOR	11% 3 mo LIBOR
SF 2003 G	2,285	6/25/2003	7/1/2013	5% 3 mo LIBOR	10% 3 mo LIBOR
MF 2007 A	12,700	6/14/2007	7/1/2012	4.5% SIFMA	n/a
MF 2007 B	9,300	6/14/2007	1/1/2021	4.5% SIFMA until 7/14/2014 5% SIFMA until 7/1/2019 5.5% SIFMA thereafter	n/a
MF 2007A	12,285	7/1/2012	7/1/2015	3% SIFMA	n/a
MF B-1	11,374	7/1/2012	7/1/2015	6% LIBOR	n/a

The fair value balances of derivative instruments outstanding at June 30, 2012, classified by type, and change in the fair value of such derivative instruments as reported in the financial statements are as follows (expressed in thousands):

Bond Series	Type	Fair Value, June 30 2012	Fair Value, June 30 2011	Change in Fair Value
Hedging derivatives:				
SF 2002 I	Swap	$ (6)	$ (212)	$ 206
SF 2004 B	Swap	(332)	(523)	191
SF 2004 D	Swap	(528)	(783)	255
SF 2004 G	Swap	(591)	(571)	(20)
SF 2005 C	Swap	(2,188)	(2,283)	95
SF 2005 E	Swap	(839)	(512)	(327)
SF 2005 H	Swap	(1,737)	(1,724)	(13)
SF 2006 C	Swap	(1,563)	(897)	(666)
SF 2006 F	Swap	(2,415)	(1,543)	(872)
MF 2007 B	Cap	212	787	(575)
SF 2007 C	Swap	(3,767)	(3,064)	(703)
SF 2007 G	Swap	(2,558)	(2,728)	170
SF 2007 M	Swap	(1,832)	(1,644)	(188)
SF 2007 N	Swap	(1,417)	(912)	(505)
MF 2008 A	Swap	(839)	(388)	(451)
SF 2008 C	Swap	(1,746)	(1,373)	(373)
SF 2008 F	Swap	(2,039)	(985)	(1,054)
SF 2008 G	Swap	(1,308)	(1,352)	44
SF 2008 B	Swap	(1,015)	(849)	(166)
MF 2011 B1	Cap	2	-	2
MF 2007 A	Cap	4	-	4
Investment derivatives:				
SF 2003 G	Corr	-	(1)	1
SF 2003 F	Swap	(598)	(471)	(127)
SF 2007 C	Swap	(129)	(298)	169
SF 2007 G	Swap	10	(93)	103
Forward MBS sale		(11,845)	-	(11,845)
Total		$ (39,064)	$ (22,419)	$ (16,645)

The fair value of the interest rate swaps (including the corridor agreement) and forward MBS sales were estimated based on an independent pricing service to get the fair values. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate swaps. Fair values of options are based on option pricing models such as the Black-Scholes-Merton model, or any of the short-rate models of interest rate, or other market standard models consistent with accepted practices in the market for interest rate products. The models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. The fair values of the interest rate cap and the forward contract were estimated based on the present value of their estimated future cash flows.

Risks Associated and Derivative Transactions:

Credit risk. The Authority is exposed to credit risk on hedging derivatives instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2012, was $228 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

UBS AG and Goldman Sachs Bank USA are currently counterparties under the derivatives agreements with the Authority. UBS AG and Goldman Sachs Bank USA are currently rated Aa3 Moody's.

With respect to counterparty risk, the Authority will also manage the agreements and all transactions entered into with UBS AG and Goldman Sachs Bank USA to ensure that the Authority's exposure to either of its counterparties does not exceed a proper amount.

Interest rate risk. The Authority is exposed to interest rate risk on its derivatives. On its pay-fixed, receive-variable derivatives, as the LIBOR or SIFMA swap index decreases, the Authority's net payment on the derivatives increases.

Basis risk. Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from the counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2012, the weighted average interest rate of the Authority's hedged variable rate debt is 4.38%, while the SIFMA swap index rate is 0.18%. LIBOR is 0.23% at June 30, 2012.

Termination risk. Termination risk is the risk the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single family mortgage bonds or of UBS AG or Goldman Sachs Capital Markets, LP covenant violation by a party, bankruptcy of a party, swap payment default by a party, and default events as defined in the Authority's single family bond resolution; however, the Authority believes the likelihood of any such termination event is remote.

Rollover risk. Rollover risk is the risk the term of a particular swap contract is not coterminous with the related bonds. If an issuer entered into a swap to hedge for a specified period of time and then decides at swap maturity it wished to maintain the same or similar hedge position, it may incur rehedging costs at that time. The Authority minimizes this risk by matching the term of the swaps with the maturity of the related bonds.

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following (expressed in thousands):

	Transferred In				
Transferred Out	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ 33,199	$ 553,818	$ 2,248	$ 589,265
Tobacco Collections Fund	14,443	-	-	-	14,443
Nonmajor Governmental Funds	36,266	11,411	-	-	47,677
Unemployment Benefits Fund	3,953	-	-	-	3,953
Nonmajor Enterprise Funds	96,842	1,453	-	-	98,295
Total	$ 151,504	$ 46,063	$ 553,818	$ 2,248	$ 753,633

Transfers are used to move: 1) revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and 3) profits from the Liquor Control Fund as required by law.

Not included in the table above are transfers totaling $3.1 million for capital asset contributions from governmental activities to the business-type activities. These were appropriately recorded as expenditures and capital contributions in the governmental and business-type fund financial statements, respectively, and reclassified as transfers in the government-wide statement of activities.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012, consisted of the following (expressed in thousands):

		Proprietary Funds			
		Enterprise Funds	Internal Service Funds		
	Governmental Funds	Business-type Activities	Governmental Activities	Business-type Activities	Component Units
Accounts receivable:					
Taxes	$ 546,403	$ -	$ -	$ -	$ -
Pledges	1,168	-	-	-	212,537
Benefit overpayments	-	55,367	-	-	-
Employer contributions	-	243,375	-	-	-
Grants & contracts	1,016,477	701,169	-	-	-
Other	784,160	137,834	1,085	3	49,751
Less allowance for doubtful accounts	514,816	398,030	-	-	5,296
Less discount to present value	-	-	-	-	18,569
Accounts receivable (net)	$ 1,833,392	$ 739,715	$ 1,085	$ 3	$ 238,423
Current	$ 1,757,203	$ 733,251	$ 1,085	$ 3	$ 82,585
Noncurrent	76,189	6,464	-	-	155,838
Total	$ 1,833,392	$ 739,715	$ 1,085	$ 3	$ 238,423
Loans receivable:					
Loans receivable	$ 34,542	$ 78,600	$ -	$ -	$ 1,506,398
Less allowance for doubtful accounts	11,563	3,210	-	-	87,316
Loans receivable (net)	$ 22,979	$ 75,390	$ -	$ -	$ 1,419,082
Current	$ 6,730	$ 7,382	$ -	$ -	$ 70,198
Noncurrent	16,249	68,008	-	-	1,348,884
Total	$ 22,979	$ 75,390	$ -	$ -	$ 1,419,082

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2012, consisted of the following (expressed in thousands):

	Due From Other Funds/Advances To Other Funds						
Due To Other Funds/ Advances From Other Funds	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$ 8	$ 4,789	$ 595	$ 17	$ 57,856	$ 63,265
Tobacco Settlement Authority	130	-	-	-	-	-	130
Tobacco Collections Fund	-	152,441	-	-	-	-	152,441
Nonmajor Governmental Funds	8,765	-	534	-	-	93	9,392
Unemployment Benefits Fund	247	-	-	-	-	-	247
Nonmajor Enterprise Funds	1,580	-	565	-	-	41	2,186
Internal Service Funds	1,843	-	295	-	-	9,909	12,047
Total	$ 12,565	$ 152,449	$ 6,183	$ 595	$ 17	$ 67,899	$ 239,708

$48.2 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: $2.8 million due from the General Fund to the Unemployment Benefits Fund (an Enterprise Fund) for amounts loaned for various projects per the Reed Act distribution under Section 903 of the Social Security Act.

Also not included in the table above, and not expected to be repaid within one year, are interfund advances of $309.3 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State, and $26.6 million due from the Honey Creek Park (an Enterprise Fund) to the Honey Creek Authority (a blended component unit classified as a Special Revenue Fund) for repayment of funds provided for development of the destination park. The interfund advances will be reduced by pledged tobacco settlement moneys received and the principal amount paid each year, respectively.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment*	Beginning Balance, Restated	Reclass-ifications	Increases	Decreases	Ending Balance
Governmental activities							
Capital assets not being depreciated:							
Land	$ 704,566	$ -	$ 704,566	$ 1,135	$ 22,045	$ 38	$ 727,708
Construction in progress	170,397	-	170,397	(81,542)	145,548	-	234,403
Computer software in progress	10,561	-	10,561	(1,469)	16,442	-	25,534
Total capital assets not being depreciated	885,524	-	885,524	(81,876)	184,035	38	987,645
Capital assets being depreciated:							
Infrastructure	10,040,592	-	10,040,592	6,788	621,719	-	10,669,099
Works of art and historical treasures	1,415	-	1,415	-	-	-	1,415
Land improvements	42,096	-	42,096	11,818	1	-	53,915
Buildings and improvements	1,316,956	-	1,316,956	61,531	11,795	2,523	1,387,759
Machinery, equipment and vehicles	472,861	(646)	472,215	270	42,191	18,219	496,457
Computer software	21,521	-	21,521	1,469	1,583	-	24,573
Total capital assets being depreciated	11,895,441	(646)	11,894,795	81,876	677,289	20,742	12,633,218
Less accumulated depreciation for:							
Infrastructure	4,709,844	-	4,709,844	-	400,383	-	5,110,227
Works of art and historical treasures	158	-	158	-	14	-	172
Land improvements	16,436	-	16,436	-	1,663	-	18,099
Buildings and improvements	560,497	-	560,497	-	30,593	1,391	589,699
Machinery, equipment and vehicles	300,132	(536)	299,596	-	35,576	16,377	318,795
Computer software	8,208	-	8,208	-	2,467	-	10,675
Total accumulated depreciation	5,595,275	(536)	5,594,739	-	470,696	17,768	6,047,667
Total capital assets being depreciated (net)	6,300,166	(110)	6,300,056	81,876	206,593	2,974	6,585,551
Governmental activities capital assets (net)	$ 7,185,690	$ (110)	$ 7,185,580	$ -	$ 390,628	$ 3,012	$ 7,573,196

* - To reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

(continued on next page)

(continued)

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Reclass-ifications	Increases	Decreases	Ending Balance
Business-type activities							
Capital assets not being depreciated:							
Land	$ 58,702	$ -	$ 58,702	$ -	$ 12,976	$ 69	$ 71,609
Land improvements	5,733	-	5,733	-	-	-	5,733
Construction in progress	352,943	-	352,943	(371,955)	372,943	166	353,765
Computer software in progress	16,587	-	16,587	(13,611)	4,948	-	7,924
Other intangibles in progress	2,302	-	2,302	(2,302)	-	-	-
Works of art	33,209	-	33,209	-	255	160	33,304
Library collections	256,922	-	256,922	-	16,687	708	272,901
Total capital assets not being depreciated	726,398	-	726,398	(387,868)	407,809	1,103	745,236
Capital assets being depreciated:							
Infrastructure	793,957	-	793,957	30,835	3,508	-	828,300
Library collections	234,848	-	234,848	-	12,410	787	246,471
Land improvements	60,960	-	60,960	5,397	249	-	66,606
Buildings and improvements	3,994,935	-	3,994,935	333,222	2,957	7,505	4,323,609
Machinery, equipment and vehicles	948,458	-	948,458	2,501	106,196	48,190	1,008,965
Trademarks	285	-	285	-	-	-	285
Goodwill	-	-	-	2,302	177	-	2,479
Computer software	74,158	-	74,158	13,611	1,077	765	88,081
Total capital assets being depreciated	6,107,601	-	6,107,601	387,868	126,574	57,247	6,564,796
Less accumulated depreciation for:							
Infrastructure	460,763	-	460,763	-	26,637	-	487,400
Library collections	187,004	-	187,004	-	10,520	787	196,737
Land improvements	34,445	-	34,445	-	2,776	-	37,221
Buildings and improvements	1,776,536	-	1,776,536	-	132,596	2,758	1,906,374
Machinery, equipment and vehicles	623,283	-	623,283	-	76,336	46,081	653,538
Trademarks	8	-	8	-	26	-	34
Goodwill	-	-	-	-	234	-	234
Computer software	29,222	-	29,222	-	6,411	712	34,921
Total accumulated depreciation	3,111,261	-	3,111,261	-	255,536	50,338	3,316,459
Total capital assets being depreciated (net)	2,996,340	-	2,996,340	387,868	(128,962)	6,909	3,248,337
Business-type activities capital assets (net)	$ 3,722,738	$ -	$ 3,722,738	$ -	$ 278,847	$ 8,012	$ 3,993,573

Depreciation was charged to functions of the primary government as follows (expressed in thousands):

Governmental activities:	
Administration & regulation	$ 9,103
Education	5,932
Health & human rights	3,399
Human services	4,847
Justice & public defense	23,089
Economic development	610
Transportation	401,758
Agriculture & natural resources	7,075
Subtotal	455,813
Depreciation on capital assets held by the State's internal service funds is allocated to the various functions based on their use of the assets	14,883
Total	$ 470,696
Business-type activities:	
Enterprise	$ 255,536

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	$ 7,832
Construction in progress	1,108
Total capital assets not being depreciated	8,940
Capital assets being depreciated:	
Infrastructure	10,351
Buildings and improvements	119,131
Land improvements	45
Machinery, equipment and vehicles	20,967
Computer software	6,105
Total capital assets being depreciated	156,599
Less accumulated depreciation	64,245
Total capital assets being depreciated (net)	92,354
Discretely presented component units capital assets (net)	$ 101,294

Impairment of Capital Assets

Iowa State University experienced impairments to buildings as a result of flooding during fiscal year 2011. See NOTE 22 – EXTRAORDINARY ITEMS for additional information.

A net impairment gain associated with several impaired buildings has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (expressed in thousands).

Historical cost	$ 24,247
Accumulated depreciation	11,550
Carrying value	$ 12,697
Restoration cost	$ 11,254
Deflation factor, compounded	0.80
Deflated restoration costs	$ 9,029
Restoration cost ratio	37.8%
Impairment loss	$ (4,804)
Insurance recovery	5,538
Net building impairment gain	734
Less gain realized in previous year	(5,238)
Net building impairment loss, FY2012	$ (4,504)

The impairment loss is measured using the restoration cost approach. The expected cost to restore the impaired buildings (excluding building contents) is $11.3 million. Restoration costs were deflated using a 3% cost index compounded over the life of each building. The deflation factor was calculated separately for each building and ranged from 0.53 to 0.89, with the weighted average being 0.80. The deflated restoration costs of the impaired buildings is $9.0 million. The amount of the impairment is calculated using a ratio of deflated restoration costs over historical cost, multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of the damage. The restoration cost ratio was calculated separately for each impaired building; the ratios ranged from 0.45% to 100%, with the weighted average being 37.8%. The resulting total gross impairment loss, based on each asset's carrying value is $4.8 million. GASB 42 requires that impairment loss be reported net of insurance recoveries. We have estimated the realizable insurance recovery associated with building impairment to be $5.5 million, resulting in a net building impairment gain of $0.7 million.

None of the impaired buildings remain idle as of June 30, 2012.

The August 2010 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The FY2012 net building impairment loss is recorded as a component of an extraordinary item in the financial statements.

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment*	Beginning Balance, Restated	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities							
Compensated absences	$ 307,949	$ (1,783)	$ 306,166	$ 152,708	$ 143,662	$ 315,212	$ 142,770
Capital leases	3,664	-	3,664	362	1,772	2,254	740
Revenue bonds	1,930,626	-	1,930,626	22,678	71,590	1,881,714	139,132
Other financing arrangements	2,145	-	2,145	200	204	2,141	237
Early retirement/termination benefits	123,342	(1,137)	122,205	5,662	30,355	97,512	33,223
Other postemployment benefits	58,438	(421)	58,017	16,081	-	74,098	-
Pension	49,120	-	49,120	6,725	184	55,661	-
Risk management	20,000	-	20,000	17,240	17,240	20,000	10,821
Pollution remediation	42,236	-	42,236	1,679	7,354	36,561	9,570
Other liabilities	1,416	-	1,416	2,338	1,102	2,652	1,461
Total **	2,538,936	(3,341)	2,535,595	225,673	273,463	2,487,805	337,954
Allocation of Internal Service Funds liability:							
Compensated absences	5,792	-	5,792	3,420	3,480	5,732	2,735
Capital leases	-	-	-	932	302	630	117
Early retirement/termination benefits	3,077	-	3,077	124	771	2,430	799
Other postemployment benefits	1,095	-	1,095	245	-	1,340	-
Total	9,964	-	9,964	4,721	4,553	10,132	3,651
Total primary government - governmental activities	$ 2,548,900	$ (3,341)	$ 2,545,559	$ 230,394	$ 278,016	$ 2,497,937	$ 341,605
Business-type activities							
Compensated absences	$ 176,870	$ -	$ 176,870	$ 75,559	$ 65,405	$ 187,024	$ 113,028
Capital leases	143,111	-	143,111	80,335	49,942	173,504	10,273
Revenue bonds	1,336,824	-	1,336,824	175,583	112,872	1,399,535	96,811
Other financing arrangements	28,119	-	28,119	2,348	11,446	19,021	984
Early retirement/termination benefits	31,790	-	31,790	166	8,617	23,339	8,210
Other postemployment benefits	66,202	-	66,202	19,578	-	85,780	-
Total primary government - business-type activities	$ 1,782,916	$ -	$ 1,782,916	$ 353,569	$ 248,282	$ 1,888,203	$ 229,306

* To reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

** The General Fund has typically been used to liquidate most long-term liabilities, except for $751.3 million and $32.7 million of revenue bonds to be liquidated by the Tobacco Settlement Authority and the Honey Creek Authority, respectively, both Special Revenue Funds.

NOTE 8 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 0.00% to 20.73% and expire before June 30, 2037.

The State has also entered into a few installment purchase agreements. Because the amounts involved are not material, and the accounting treatment is similar, such agreements are reported together with capital leases.

A. Primary Government

Governmental Activities

The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2013	$ 857	$ 119
2014	672	82
2015	533	55
2016	481	31
2017	174	16
Thereafter	167	19
Total	$ 2,884	$ 322

The historical cost of assets acquired under capital leases and included in capital assets in the government-wide statements at June 30 follows (expressed in thousands):

Buildings & improvements	$ 2,513
Equipment	1,840
Total	4,353
Accumulated depreciation	(1,365)
Net	$ 2,988

Business-type Activities

The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2013	$ 10,273	$ 6,795
2014	10,865	6,212
2015	11,174	5,856
2016	18,349	5,346
2017	10,427	4,865
2018-2022	49,395	18,566
2023-2027	38,106	10,529
2028-2032	23,955	4,180
Thereafter	960	129
Total	$ 173,504	$ 62,478

The historical cost of assets acquired under capital leases and included in capital assets in the financial statements at June 30 follows (expressed in thousands):

Land	$ 1,888
Construction in progress	28,454
Buildings & improvements	204,499
Equipment	471
Total	235,312
Accumulated depreciation	(49,896)
Net	$ 185,416

B. Component Units

The University of Iowa Foundation has entered into a lease agreement with the University of Iowa for a leasehold interest in a building. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal
2013	$ 645
2014	670
2015	690
2016	725
2017	740
Thereafter	1,605
Total	$ 5,075

NOTE 9 – OTHER FINANCING ARRANGEMENTS PAYABLE

Loans and Contracts Payable – Primary Government

Governmental Activities

The Iowa Department of Natural Resources has entered into agreements for facilities and land for a total of $4,118,000 with interest rates ranging from 0.00% to 3.00%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2013	$ 237	$ 58
2014	244	52
2015	255	45
2016	263	39
2017	273	31
Thereafter	869	60
Total	$ 2,141	$ 285

Business-type Activities

Iowa State University, the University of Northern Iowa and the University of Iowa have entered into agreements for buildings and equipment for a total of $46,286,296. The agreements are for periods of 3 to 23 years with interest rates ranging from 0.00% to 5.82%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2013	$ 984	$ 594
2014	965	551
2015	5,928	479
2016	1,047	350
2017	800	304
2018-2022	3,977	894
2023-2027	1,105	248
Thereafter	4,215	75
Total	$ 19,021	$ 3,495

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2012, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
Term bonds					
Tobacco Settlement Authority	2006	$ 635,635	5.38-6.50	2007-2041	$ 560,265
Honey Creek Authority	2007	15,215	4.50	2029-2036	15,215
IJOBS - 2010	2011	63,635	4.00-5.25	2034-2038	63,635
Total					639,115
Serial bonds					
Vision Iowa	2002	$ 196,375	2.25-5.50	2002-2021	111,710
Department of Corrections (1)	2002	54,240	4.00-5.38	2007-2016	23,325
Honey Creek Authority	2007	18,155	3.95-5.00	2011-2028	17,300
Iowa Utilities Board	2010	12,640	5.04	2011-2029	11,950
IJOBS - 2009	2010	601,070	3.00-6.75	2011-2034	572,985
Prison Infrastructure	2011	135,050	2.00-5.00	2012-2027	134,615
IJOBS - 2010	2011	113,260	0.92-5.00	2012-2030	108,890
School Infrastructure	2012	20,910	1.50-4.00	2013-2021	20,910
Total					1,001,685
Capital appreciation bonds					
Tobacco Settlement Authority	2006	$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					2,370,600
Unamortized premium					50,891
Unamortized discount					(539,902)
Unamortized net refunding gain					125
Total governmental activities					$ 1,881,714

(continued on next page)

(continued)

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Business-type activities					
Revenue bonds					
University of Iowa	1968-2012	$ 956,445	2.00-8.38	1994-2038	$ 799,410
Iowa State University	1988-2012	499,570	2.00-6.10	1997-2038	429,060
University of Northern Iowa	1994-2012	223,598	1.00-8.25	1995-2035	163,784
Total revenue bonds					1,392,254
Unamortized premium					8,659
Unamortized discount					(2,931)
Unamortized net refunding gain					1,599
Unamortized net refunding loss					(46)
Total business-type activities					$ 1,399,535
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1978-2012	$ 3,037,174	variable (2)	2003-2041	$ 1,612,485
Iowa Lottery Authority	2004	8,800	3.28	2005-2019	1,100
Iowa State University Foundation	2002	3,850	4.75	2003-2020	2,680
Total revenue bonds					1,616,265
Unamortized premium					52,708
Total component units					$ 1,668,973

(1) The Iowa Finance Authority (Finance Authority) has characterized the bonds as conduit debt obligations and omitted them from the Finance Authority's financial statements. Although these bonds have characteristics of conduit debt, GASB has stated such debt is not conduit debt when the issuer (Finance Authority) and the beneficiary (the State of Iowa) are within the same financial reporting entity. Since the bonds are not conduit debt, the Finance Authority should have included the liability for the bonds and the due from the State of Iowa in its financial statements and the State of Iowa's financial statements should have reported a due to Finance Authority rather than a liability for bonds payable. Because there is no significant effect on the net assets of the Finance Authority or the State of Iowa as a result of the Finance Authority's omission, the CAFR has been prepared to reflect the reporting method used by the Finance Authority in its annual financial statements for the year ended June 30, 2012.

(2) Variable rates are as of June 30, 2012.

A. Primary Government – Governmental Activities

Vision Iowa

The State of Iowa has issued Vision Iowa Special Fund Bonds to provide grants or loans to communities to enhance local recreational, cultural and entertainment opportunities.

The State has pledged a portion of the future revenues to be deposited into the Vision Iowa Fund to repay $196.4 million of bonds issued in November 2001. These revenues include a standing appropriation of $15 million annually from gaming revenues, certain earnings on the Vision Iowa Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the Vision Iowa Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 91% of total deposits into the Vision Iowa Fund. As of June 30, 2012, total principal and interest remaining to be paid on the debt is $143.6 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were $15.9 million and $17.2 million, respectively.

The bonds are not debts of the State or any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

School Infrastructure

The State of Iowa issued School Infrastructure Special Fund Bonds to assist local school districts with the construction and renovation of facilities in November 2001. The funds provided grants limited to $1,000,000 and required a local match.

In March, 2012 the State issued $20.9 million of School Infrastructure Special Fund Refunding Bonds, Series 2012 to refund $24.6 million of School Infrastructure Special Fund Bonds, Series 2001. The current refunding resulted in a decrease in aggregate debt service payments of $4.3 million over the next 9 years and an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $1.8 million.

Principal and interest paid for the current year on the Series 2001 Bonds, including principal and interest paid upon the current refunding, totaled $26.7 million and $1.5 million, respectively. Total deposits into the School Infrastructure Fund were $5.5 million.

The State has pledged a portion of the future revenues to be deposited into the School Infrastructure Fund to repay $20.9 million of Series 2012 Bonds. These revenues include a standing appropriation of $5 million annually from gaming revenues, certain earnings on the School Infrastructure Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the School Infrastructure Fund and the Bond Reserve Fund and are payable through fiscal year 2021. As of June 30, 2012, total principal and interest remaining to be paid on the Series 2012 debt is $24.5 million. The first principal payment on the Series 2012 Bonds is due March 15, 2013..

The bonds are limited special obligations of the State. The bonds are not debts of the State or any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

Iowa Department of Corrections

The Iowa Finance Authority (Finance Authority) has issued serial bonds for financing the construction or renovation of correctional facilities in the State. The Iowa Department of Corrections administers the State's correctional facilities and authorizes expenditures under the program.

Pursuant to an Indenture of Trust among the Finance Authority, the Iowa Department of Corrections and U.S. Bank National Association (the "Trustee"), the State has pledged, as security for the bonds issued by the Finance Authority, amounts sufficient to cover the principal and interest requirements on the Finance Authority's debt consisting of all funds deposited into the Prison Infrastructure Fund (not reverting to the State General Fund at year-end), investment earnings on moneys in the Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Current State law requires the first $9,500,000 of moneys remitted to the Treasurer of State each fiscal year from certain fees and fines collected from the clerks of district court in criminal cases be deposited in the Prison Infrastructure Fund. The bonds, issued by the Finance Authority in fiscal year 2002 for $54.2 million, are payable through fiscal year 2016. The Finance Authority has pledged, as sole security for the bonds, all funds deposited in the Prison Infrastructure Fund (not reverting to the State General Fund at year-end), investment earnings on moneys in the Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Annual principal and interest payments on the bonds are expected to require less than 56% of total deposits into the Prison Infrastructure Fund. As of June 30, 2012, total principal and interest remaining to be paid on the debt is $26.1 million. Principal and interest paid for the current year and total deposits into the Prison Infrastructure Fund were $8.4 million and $15.0 million, respectively.

The bonds are limited special obligations of the Finance Authority and do not constitute a general obligation of the Finance Authority, the State of Iowa or any political subdivision thereof.

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority) has issued Tobacco Settlement Asset-Backed Bonds to advance refund outstanding tobacco settlement asset-backed bonds and to provide funding to the State for various capital projects.

Pursuant to a Sales Agreement between the State and Authority, the State has pledged, as security for bonds issued by the Authority, 78% of the amounts payable to the State under the Master Settlement Agreement (the "MSA") entered into by participating cigarette manufacturers (the "PMs"), 46 states (including the State) and six other U.S. jurisdictions in November 1998 in the settlement of certain smoking-related litigation, including the

State's right to receive future initial, annual and strategic contribution payments (the "TSRs"), to be made by the PMs under the MSA.

The bonds, issued by the Authority in fiscal year 2006 in the par amount of $1.4 billion are payable through fiscal year 2046. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2012, total principal and interest remaining on the debt is $2,219.9 million with annual requirements ranging from $148.0 million in 2013 to $734.9 million in the final year. TSRs received by the State have averaged $58.6 million per year over the last 14 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were $52.6 million and $65.7 million, respectively.

The bonds are not a general obligation or general indebtedness of the Authority and do not constitute an obligation or indebtedness of the State or any political subdivision of the State. The State has no obligation or intention to satisfy any deficiency or default of any payment on the bonds.

Honey Creek Authority

The Honey Creek Authority (Authority) has issued Destination Park Revenue Bonds to provide financing for the development by the State of the Honey Creek Park (the "Park").

Pursuant to an Indenture of Trust among the Authority, the Iowa Department of Natural Resources, the Treasurer of the State of Iowa and Bankers Trust Company, N.A. (the "Trustee"), the State has pledged, as security for the bonds issued by the Authority, amounts sufficient to cover the principal and interest requirements on the Authority's debt consisting of net revenues from Honey Creek Park, if any, and the Debt Service Reserve Account (including any amounts appropriated by the State for the replenishment of the Debt Service Reserve Account to its required balance). The bonds, issued by the Authority in fiscal year 2007 for $33.4 million, are payable through fiscal year 2036. The Authority has pledged, as the sole security for the bonds, net revenues to be received under the Indenture, if any, and amounts in the Honey Creek Park fund and the Debt Service Reserve Account and all other moneys and securities pledged or assigned to the Trustee under the Indenture. During the year ended June 30, 2012, the Department of Natural Resources provided $1.9 million, on behalf of Honey Creek Park, to the Authority for payment of bond principal and interest. As of June 30, 2012, total principal and interest remaining on the debt is $54.7 million with annual requirements ranging from $2.0 million in 2013 to $2.3 million in the final year. Principal and interest paid by the Authority in the current year totaled $2.0 million.

The bonds are not an indebtedness of the State or a charge against the general credit or General Fund of the State and the State is not liable for the bonds except for amounts on deposit in the funds pledged to payment of the bonds. The bonds are not an obligation of the State or any political subdivision of the State.

IJOBS – 2009

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $601.1 million ($380.1 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2009A and $221 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2009B) of bonds issued in July 2009. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State has designated the Series 2009B Bonds as Build America Bonds under the American Recovery and Reinvestment Act of 2009, and as such, elected to receive from the federal government a subsidy equal to 35% of the amount of each interest payment on the taxable bonds. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 78% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2012, total principal and interest remaining to be paid on the debt is $1,034.5 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were $47.0 million and $60.3 million, respectively.

The bonds are limited special obligations of the State and do not constitute a debt or indebtedness of the State, nor any political subdivision of the State, or a pledge of the full faith and credit of the State or a charge against the general credit or General Fund of the State.

Iowa Utilities Board and Consumer Advocate State Building

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds, totaling $12.6 million, to finance the costs of construction of a new building. All amounts collected by the Iowa Utilities Board shall be deposited in accordance with Iowa Code Sections 476.10 and 476.10B as Chargeable Expenses in each fiscal year until the amount of deposit is equal to the amount of principal and interest on the bonds due in that fiscal year. The bonds are payable from the IUB/OCA Bond Fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require 100% of total deposits into the IUB/OCA Bond Fund. As of June 30, 2012, total principal and interest remaining to be paid on the debt is $18.1 million. Principal and interest paid for the current year and total deposits into the IUB/OCA Bond Fund were $1.1 million and $1.1 million, respectively.

The bonds are not debts of the State or of any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

Prison Infrastructure

The State of Iowa has issued Special Obligation Bonds (Prison Infrastructure Fund) to finance the costs of the construction of a new Iowa State Penitentiary at Fort Madison, Iowa and to redeem the outstanding Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations issued after July 1, 1998, not reverting to the State's General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay $135.0 million in bonds issued in July 2010. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 41% of total deposits into the Prison Infrastructure Fund. As of June 30, 2012, total principal and interest remaining to be paid on the debt is $197.7 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were $6.5 million and $15.0 million, respectively.

The bonds are limited special obligations of the State. The bonds and interest thereon do not constitute nor give rise to a pecuniary liability, general obligation or a pledge of the full faith and credit of the State or any political subdivision of the State within the meaning of any constitutional or statutory limitation.

IJOBS – 2010

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $176.9 million ($151.3 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2010A and $25.6 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2010B) in bonds issued in October 2010. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2038. Annual principal and interest payments on the bonds are expected to require less than 21% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2012, total principal and interest remaining to be paid on the debt is $291.6 million. Principal and interest paid in the current year and total deposits into the Revenue Bonds Debt Service Fund were $12.2 million and $60.3 million, respectively.

The bonds are limited special obligations of the State and do not constitute a debt or indebtedness of the State nor any political subdivision of the State, or a pledge of the full faith and credit of the State or a charge against the general credit or General Fund of the State.

Underground Storage Tank

The Iowa Finance Authority (Finance Authority) has issued serial bonds to finance the Underground Storage Tank Financial Responsibility Program. The program provides payment for remediation claims of contamination of ground water sites due to leakage, spill or release of petroleum products by owner/operators.

In a prior year, the Finance Authority defeased remaining revenue bonds by placing proceeds from existing resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Iowa Underground Storage Tank Fund Revenue Refunding Bonds, 2004 Series A. Accordingly, trust account assets

and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2012, bonds totaling $6.7 million are considered defeased.

Future bond debt service requirements of the Primary Government – Governmental Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2013	$ 145,615	$ 98,242
2014	78,425	89,688
2015	49,395	85,339
2016	46,130	82,910
2017	48,265	80,881
2018-2022	259,425	367,553
2023-2027	242,350	307,819
2028-2032	215,915	247,386
2033-2037	313,420	150,879
2038-2042	245,740	90,968
Thereafter	725,920	38,363
Total	$2,370,600	$1,640,028

B. Primary Government – Business-type Activities

Universities

During the current year, the *University of Iowa* issued $26.8 million of Hospital Revenue Bonds, Series S.U.I. 2011, with an interest rate range of 2.00-4.00% to defray the costs of constructing additions to the general hospital on the campus of the University. The revenues pledged to these bonds are charges to patients for medical services.

During the current year, the *University of Iowa* issued $20.4 million of Hospital Revenue Refunding Bonds, Series S.U.I. 2011A, with an average interest rate of 3.77% and accrued interest of $40,000 to advance refund $19.8 million of outstanding Hospital Revenue Bonds, Series S.U.I. 2002 with interest rates ranging between 4.12% and 5.00%.

Net bond proceeds of $20.7 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Hospital Revenue Bonds, Series 2002 will be called on September 1, 2012.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1.4 million; and reduced the aggregate debt service payments by $1.8 million over the next 17 years.

During the current year, the *University of Iowa* issued $16.3 million of Dormitory Revenue Refunding Bonds, Series S.U.I. 2012, with an average interest rate of 3.88% to advance refund $17.5 million of outstanding Dormitory Revenue Bonds, Series S.U.I. 2003 with interest rates ranging between 4.00% and 4.65%.

Net bond proceeds of $18.0 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Dormitory Revenue Bonds, Series S.U.I. 2003 will be called on July 1, 2013.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1.4 million; and reduced the aggregate debt service payments by $1.6 million over the next 12 years.

During the current year, the *University of Iowa* issued $10.2 million of Utility System Revenue Refunding Bonds, Series S.U.I. 2011, with an average interest rate of 2.39% and accrued interest of $19,000 to advance refund $9.9 million of outstanding Utility System Revenue Bonds, Series S.U.I. 2002 with interest rates ranging between 4.00% and 5.00%.

Net bond proceeds of $10.3 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Utility System Revenue Bonds, Series S.U.I. 2002 will be called on November 1, 2012.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1.0 million; and reduced the aggregate debt service payments by $1.1 million over the next 11 years.

During the current year, the *University of Iowa* issued $25.0 million of Utility System Revenue Bonds, Series S.U.I. 2012, with an interest rate range of 2.00-4.00% to pay costs of constructing, equipping and furnishing the Utility Facility on the campus of the University. The revenues pledged to these bonds are charges assessed to the users of the utility system.

In prior years, the *University of Iowa* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2012, bonds totaling $47.2 million for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued $25.8 million of Athletic Facilities Revenue Bonds, Series I.S.U. 2012, with an interest rate range of 2.00-3.62% to pay costs of constructing and equipping improvements at Jack Trice Stadium. The revenues pledged to these bonds are net revenues of the athletic facilities system.

During the current year, *Iowa State University* issued $3.5 million of Parking System Revenue Refunding Bonds, Series I.S.U. 2012. $3.6 million of proceeds and $0.5 million of University funds were placed in an irrevocable trust to refund $3.7 million of Parking System Revenue Bonds, Series I.S.U. 2002. The refunding of these bonds permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $0.6 million; and reduced the aggregate debt service payments by $0.8 million over the next 10 years.

During the current year, the *University of Northern Iowa* issued $24.9 million of Dormitory System Revenue Bonds, Series U.N.I. 2011, with an interest rate range of 2.00-4.00% to pay costs of constructing and equipping dormitories and related facilities. The revenues pledged to these bonds are net revenues from operation of residence halls, apartments, dining facilities and other incidental facilities.

During the current year, the *University of Northern Iowa* issued $8.4 million of Student Union Revenue Refunding Bonds, Series U.N.I. 2011, with an average interest rate of 2.87% to advance refund the July 1, 2012 through July 1, 2022 maturities of Student Union Revenue Bonds, Series U.N.I. 2002. Outstanding Series U.N.I. 2002 bonds totaled $8.3 million with interest ranging between 4.35% and 5.00%.

Net bond proceeds of $8.5 million and $0.3 million in University funds were deposited in an irrevocable escrow account with Wells Fargo Bank, National Association as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Student Union Revenue Bonds, Series U.N.I. 2002 will be called on July 1, 2012.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $0.9 million; and reduced the aggregate debt service payments by $1.1 million over the next 10 years.

During the current year, the *University of Northern Iowa* issued $14.3 million of Dormitory Revenue Bonds, Series U.N.I. 2012, with an average interest rate of 2.00% to currently refund the July 1, 2013 through July 1, 2018 maturities of Dormitory Revenue Bonds, Series U.N.I. 2002 and the July 1, 2013 through July 1, 2023 maturities of Dormitory Revenues Bonds, Series U.N.I. 2003. Additionally, $4.9 million of the Series U.N.I. 2012 bonds was issued to fund a dormitory construction project. Outstanding Series U.N.I. 2002 bonds totaled $4.4 million with interest ranging between 3.50% and 4.25%, while outstanding Series U.N.I. 2003 bonds totaled $6.6 million with interest ranging between 4.00% and 4.75%.

Net bond proceeds of $11.3 million and $2.4 million in University funds were deposited in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Dormitory Revenue Bonds, Series U.N.I. 2002 and Series U.N.I. 2003 will be called on July 1, 2012.

The current refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1.2 million; and reduced the aggregate debt service payments by $2.6 million over the next 10 years.

Future bond debt service requirements for bonds of the Primary Government – Business-type Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2013	$ 96,547	$ 55,458
2014	64,523	51,223
2015	64,585	49,403
2016	64,961	47,744
2017	64,854	44,244
2018-2022	346,296	183,236
2023-2027	332,567	114,128
2028-2032	235,795	49,822
2033-2037	115,760	12,130
Thereafter	6,366	133
Total	$ 1,392,254	$ 607,521

C. Component Units

Iowa Finance Authority

The Iowa Finance Authority (Finance Authority) is authorized and has issued bonds to provide affordable mortgage financing and to meet the 20% State match required for federal capitalization grants which are used to provide loans for construction of wastewater and drinking water facilities. The bonds are payable principally from repayments of such loans. The obligations do not constitute a debt of the State of Iowa and the State is not liable for any repayments.

The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, loans and other assets in the funds and accounts established by the respective bond resolutions.

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions and the Multifamily Bond Indenture contain covenants which require the Finance Authority to make payments of principal and interest from amounts available in the Finance Authority's General Fund should deficiencies occur in the funds established for such payments by the respective bond resolutions. The Draw Down Bond Indenture under the Single Family Bond Program and the bond resolutions for the Clean Water Program Funds and Drinking Water Program Funds do not contain these covenants.

During the current fiscal year, the Finance Authority issued two new single family bond series totaling $44.0 million and converted $66.0 million of new issue bond program escrow bonds to program bonds to purchase Mortgage-backed Securities under the FirstHome Program. In addition, one municipalities and water system (SRF) bond series was issued with a face value of $220.4 million, which sold at a premium for total proceeds of $255.7 million. The Finance Authority made bond payments of $470.8 million during the fiscal year.

In prior years, the Finance Authority defeased certain bonds by depositing funds or securities into an irrevocable trust account with an escrow agent to provide for future interest and principal payments. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the Finance Authority's financial statements. As of June 30, 2012, bonds totaling $90.7 million are considered defeased.

Iowa Lottery Authority

The Iowa Lottery Authority issued $8.8 million of Iowa Lottery Authority Bonds in 2005 to finance the purchase and installation of instant-scratch ticket and pull-tab vending machines and the purchase and renovation of a building to be used as the lottery headquarters.

Universities Foundations

Iowa State University Foundation in prior years issued $3,850,000 of bonds to purchase and remodel the Foundation Advancement Center building. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation. In March, 2010, the bonds were refinanced under an amended agreement. The refinanced bonds have varying maturities through 2020 and have an interest rate of 4.75%. The Foundation has no taxing authority and bonds issued do not constitute a debt, liability or obligation of the State of Iowa or any political subdivision thereof.

Future bond debt service requirements for the bonds of the Component Units are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2013	$ 50,036	$ 61,472
2014	54,760	58,085
2015	59,485	55,790
2016	59,610	53,420
2017	63,018	51,028
2018-2022	344,085	216,306
2023-2027	381,424	139,762
2028-2032	328,250	62,910
2033-2037	182,955	21,173
Thereafter	92,642	3,609
Total	$ 1,616,265	$ 723,555

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2012, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	$ 49,258	$ -
Early retirement/termination benefits	34,022	65,920
Other postemployment benefits	-	75,438
Pension	-	55,661
Risk management	10,821	9,179
Pollution remediation	9,570	26,991
State aid	609,276	280
Trade & other payables	626,668	39,579
Total governmental activities	$ 1,339,615	$ 273,048
Business-type activities		
Salaries & fringes	$ 152,724	$ -
Early retirement/termination benefits	8,210	15,129
Other postemployment benefits	-	85,780
General claims	28,786	-
Unemployment benefits	20,135	-
Trade & other payables	180,268	24,880
Total business-type activities	$ 390,123	$ 125,789
COMPONENT UNITS		
Annuity & life income obligations	$ 382	$ 48,538
Lotto prizes & annuity prizes payable	4,138	6,204
Pledges due to University	295	-
Other	102,784	71,443
Total component units	$ 107,599	$ 126,185

Pollution Remediation Obligations

An estimate for pollution remediation obligations is recorded when the State knows or reasonably believes a site is polluted and when any one of the following events occurs: (1) the State is compelled to take remediation action because pollution creates an imminent endangerment to public health/welfare or the environment, (2) the State is in violation of a pollution prevention-related permit or license, (3) the State is named, or will likely be named, by a regulator as a responsible party or potentially responsible party for remediation, (4) the State is named, or will likely be named, in a lawsuit to compel it to participate in remediation or (5) the State commences or legally obligates itself to commence cleanup activities or monitoring/maintenance of remediation efforts.

For the year ended June 30, 2012, pollution remediation obligations totaled $36.6 million, including $34.7 million for the removal of leaking underground storage tanks.

Leaking underground storage tanks meeting certain eligibility requirements are covered by the Iowa Petroleum Underground Storage Tank program. Statutory authority for this program is found in Chapter 455G of the Code of Iowa. The program was established to expend funds for remedial action and underground storage tank improvements. Estimated remediation outlays for leaking underground storage tanks are developed by groundwater professionals. The estimations are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. All estimates for pollution remediation obligations are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

The pollution remediation obligation does not include outlays for certain site cleanup activities or operation/maintenance costs because those outlays were not reasonably estimable.

NOTE 12 – NET ASSETS/GOVERNMENTAL FUND BALANCES

A. Net Assets Restricted By Enabling Legislation

The Governmental Activities Statement of Net Assets reports $1,066.4 million of Restricted Net Assets, of which $13.6 million is restricted by enabling legislation.

B. Governmental Fund Balances

Fund balances for governmental funds are to be reported in classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to remain intact. *Restricted* fund balances are reported when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *Committed* fund balance amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the State's highest level of decision making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation. *Unassigned* fund balance is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The nonspendable and spendable fund balances for governmental funds at June 30, 2012, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid	$ 41,382	$ -	$ -	$ 190	$ 41,572
Permanent fund principal	-	-	-	16,002	16,002
SPENDABLE					
Restricted:					
Administration & regulation	220,765	545,528	-	4,917	771,210
Education	17,508	-	-	62,134	79,642
Health & human rights	49,848	-	-	514	50,362
Human services	22,397	-	-	21	22,418
Justice & public defense	22,204	-	-	24,866	47,070
Economic development	30,223	-	-	-	30,223
Transportation	693,322	-	-	-	693,322
Agriculture & natural resources	6,504	-	-	29,561	36,065
Committed:					
Administration & regulation	858,589	-	-	5,800	864,389
Education	15,630	-	-	760	16,390
Health & human rights	8,051	-	-	25	8,076
Human services	46,312	-	-	406	46,718
Justice & public defense	63,593	-	-	527	64,120
Economic development	7,787	-	-	-	7,787
Transportation	41,512	-	-	1,984	43,496
Agriculture & natural resources	86,978	-	-	16,951	103,929
Reserve funds:					
Cash reserve	450,330	-	-	-	450,330
Iowa economic emergency	153,770	-	-	-	153,770
Unassigned	(210,684)	-	(461,789)	(12)	(672,485)
TOTAL FUND BALANCES	$ 2,626,021	$ 545,528	$ (461,789)	$ 164,646	$ 2,874,406

Stabilization Arrangements (Reserve Funds)

The State maintains two funds for emergency expenditures: the Cash Reserve Fund and the Iowa Economic Emergency Fund. The Cash Reserve Fund and the Iowa Economic Emergency Fund were created in Iowa Code sections 8.56 and 8.55, respectively.

The **Cash Reserve Fund** is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund of the State for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The **Iowa Economic Emergency Fund** is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

The fund balances for the Cash Reserve Fund and the Iowa Economic Emergency Fund are included in the *committed* spendable fund balance classification.

Minimum Fund Balance Requirements

Currently, the State has six governmental funds which are required by statute, federal regulations or bonding requirements to maintain minimum fund balances. However, the State does not have a formally adopted policy regarding minimum fund balances.

NOTE 13 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2040. In most cases, management expects the leases will be renewed or replaced by other leases.

A. Primary Government

Governmental Activities

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2013	$ 12,101
2014	10,394
2015	8,623
2016	5,459
2017	2,450
2018-2022	2,987
2023-2027	392
2028-2032	317
2033-2037	339
Thereafter	289
Total	$ 43,351

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the Legislature. Minimum payments have not been reduced by minimum sublease rentals of $1,119,849.

Rental expense for the year ended June 30, 2012 for all operating leases, except those with terms of a month or less that were not renewed, totaled $14,136,052. Rental expense has not been adjusted for sublease rentals totaling $582,193 for the year ended June 30, 2012.

Business-type Activities

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2013	$ 11,350
2014	8,054
2015	6,063
2016	4,565
2017	2,652
2018-2022	4,615
2023-2027	1,728
Thereafter	171
Total	$ 39,198

Minimum payments have not been reduced by minimum sublease rentals of $52,475.

Rental expense for the year ended June 30, 2012 for all operating leases, except those with terms of a month or less that were not renewed, totaled $12,254,938. Rental expense has not been adjusted for sublease rentals totaling $41,980 for the year ended June 30, 2012.

B. Component Units

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,		
2013	$	1,116
2014		1,087
2015		1,023
2016		972
2017		320
Total	$	4,518

Rental expense for the year ended June 30, 2012 for all operating leases, except those with terms of a month or less that were not renewed, totaled $1,078,491.

NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at $7,442,051. Glenwood Resource Center leases building space valued at $4,441,180. Iowa Public Television leases antenna and building space, the Department of Administrative Services and the Iowa Department of Workforce Development lease building space, and Iowa Communications Network leases fiber optic cables, for which no value has been assigned to the leased portions. The Iowa Department of Transportation leases land valued at $1,670,294. Iowa State University leases building space valued at $859,387 (net of accumulated depreciation of $195,921), tower space valued at $433,821 (net of accumulated depreciation of $64,066), equipment with an original value of $616,281 and tracts of land for agricultural purposes valued at $82,552. The University of Northern Iowa leases buildings valued at $979,461 (net of accumulated depreciation of $350,771), tower space and tracts of land for agricultural purposes valued at $523,155. The Iowa Braille & Sight Saving School leases buildings valued at $2,283,573 (net of accumulated depreciation of $1,405,307).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2012 (expressed in thousands):

Year Ending June 30,		
2013	$	3,898
2014		2,563
2015		1,415
2016		1,094
2017		881
2018-2022		2,338
2023-2027		837
Thereafter		74
Total	$	13,100

NOTE 15 – PENSION PLANS

A. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits, refunds and annuities are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

IPERS – All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of the variation margin. Private equities are valued based on March 31 net asset values plus or minus purchases, sales and cash flows from April 1 through June 30 of the reporting year.

The System has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5% of the plan net assets available for benefits.

PORS and JRS – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. For JRS, the fair value of real estate investments is based on independent appraisals.

PORS' and JRS' investments in governmental bonds and treasury notes constitute approximately 7.55% and 20.94%, respectively, of net assets held in trust for pension benefits. PORS and JRS are not permitted to invest more than 4.90% and 5.00%, respectively, of its System account in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

B. Plan Descriptions, Contribution Information and Funding Policy

Membership of each plan consisted of the following at June 30, 2012:

	IPERS	PORS	JRS
Retirees and beneficiaries receiving benefits	101,948	549	186
Terminated members with deferred benefits	-	41	8
Active vested	128,768	570	148
Active nonvested	35,432	48	44
Inactive vested	32,410	-	-
Inactive nonvested	36,540	-	-
	335,098	1,208	386
Number of participating employers	2,153	1	1

Iowa Public Employees' Retirement System (IPERS)

Plan Description. IPERS, a public employee retirement system, was created in 1953 by the Iowa Legislature. IPERS benefits are established under Chapter 97B of the Iowa Code.

IPERS is a cost-sharing defined benefit multiple-employer public employee retirement system. Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. Members of other retirement systems supported by Iowa public funds are excluded from membership.

	June 30, 2012
Employer members:	
City	1,055
Education	383
County	346
Utilites	134
Health	67
State	20
Other	148
Total	2,153

A member may retire at age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's age plus years of service equals or exceeds 88. A member may take early retirement with reduced benefits. At retirement, a member chooses one of six benefit options.

Before July 1, 2012, a member who leaves covered employment after completing at least four years of covered service or has attained the age of 55 while making contributions to the plan has vested right to IPERS benefits. Starting July 1, 2012, a member who completes seven years of covered service or has reached the age of 65 while in IPERS covered employment is vested.

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117, at info@ipers.org, or by calling 515-281-0020.

Contributions and Funding Policy. Through June 30, 2012, member and employer contribution rates are established by statute for the regular membership. Effective July1, 2012, the contribution rates are established by IPERS following an annual actuarial valuation; however, the rate cannot vary by more than 1 percentage point each year. The contributions are remitted by participating employers. Certain members and employers engaged in law enforcement, fire safety and protection occupations contribute actuarially determined rates, as shown in the following table. Wages are covered up to the federal limit of $250,000 for calendar year 2012.

	Contribution Rates as of June 30, 2012		
	Employee	Employer	Total
Regular	5.38%	8.07%	13.45%
Special services group #1 *	9.83%	9.83%	19.66%
Special services group #2 **	6.65%	9.97%	16.62%

* - Includes sheriffs and deputies.

** - Includes all other protection occupation members.

A valuation of the liabilities and reserves of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.4(4)(d) to determine the amount of contributions required. The Iowa statutes provide that most IPERS members shall contribute 5.38% of pay and employers shall contribute 8.07% for a total rate of 13.45% for fiscal year 2012. The annual actuarial valuation is performed to determine whether the statutory rate will be sufficient to fund the future benefits expected to be paid by the System within the guidelines established in IPERS' funding policy (maximum amortization period of 30 years). The statutory rate is first applied to fund the normal cost. The remaining contribution rate is used to amortize the unfunded actuarial liability as a level percentage of payroll which in turn determines the amortization period. As a result, the

remaining amortization period varies with each actuarial valuation. Based on the current year's actuarial valuation, the amortization period continued to exceed the 30 year maximum.

To address IPERS' long-term funding needs, the Iowa Legislature passed statutory rate increases for regular members in 2006 and 2010. In addition, in 2010 the Iowa Legislature passed a law that will allow IPERS to set rates for regular members based on the actuarially required rate starting in FY2013 (July 1, 2012). However, the rate cannot vary by more than 1 percentage point each year.

The amount of the actuarially determined employer contribution requirement was $568,389,507. The total amount of employer contributions made during the fiscal year ended June 30, 2012, was $558,405,418 resulting in an 98.2% funding ratio. The difference between the actuarially required employer contributions and actual employer contributions made is due entirely to statutory contribution requirements that differ from the actuarially required contribution rate.

The following table provides a schedule of the actuarially required employer contributions and the percentage actually contributed to IPERS for the last three fiscal years:

Year Ended June 30,	Actuarially Required Contributions	Percentage Contributed
2010	$ 501,893,236	89.5%
2011	568,397,561	82.3%
2012	568,389,507	98.2%

Peace Officers' Retirement, Accident and Disability System (PORS)

Plan Description. PORS was created under Chapter 97A of the Code of Iowa to provide retirement and other benefits for the peace officers of the Iowa Department of Public Safety. The Peace Officers' Retirement, Accident and Disability System is the administrator of the single-employer defined benefit public employee retirement system.

A member may retire with a service allowance after completing 22 years of creditable service and attaining the minimum service retirement age of 55. Plan benefits include: service retirement benefits, ordinary disability retirement benefits, accidental disability benefits, ordinary death benefits, accidental death benefits and line of duty death benefits.

A member leaving covered employment before attaining retirement age but after completing at least four years of covered service is entitled to receive a service retirement allowance upon attaining the minimum service retirement age provided his or her accumulated contributions have not been withdrawn.

PORS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Iowa Department of Public Safety Peace Officers' Retirement System, Public Safety Building, Des Moines, IA 50319.

Contributions and Funding Policy. The contributions to the System are made pursuant to Chapter 97A of the Code of Iowa and are not based upon actuarial determinations.

Member contribution rates are established by statute at 9.85% of covered payroll. HF 2518 enacted by the 2010 Legislature changed the scheduled contribution rates for both the employee and employer. Employee contributions are scheduled to increase by one-half of one percent each year for four years beginning at 9.35% in fiscal 2011 and peaking at 11.35% on July 1, 2014. This is deducted from the member's salary and remitted by the employer.

The employer rate is scheduled to increase from 25% for plan year 2012 by 2% each year until reaching 37% in the year beginning July 1, 2017. The State of Iowa will also begin contributing an additional $5 million each year, beginning July 1, 2013, until the funded status of the system attains 85%. Contribution provisions are established by State law and may be amended only by the State Legislature. The State has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was $4,329,921, representing 9.85% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was

$10,741,204. Costs of administering the plan are financed through employer contributions and investment income.

Judicial Retirement System (JRS)

Plan Description. The JRS is the administrator of a single-employer defined benefit public employee retirement system.

The JRS was established to provide pension benefits to judges serving on the Supreme Court, District Courts and the Court of Appeals.

Pursuant to Chapter 602 of the Code of Iowa, a member who has a total of at least four years of service as a judge of one or more of the above courts and is at least 65 years of age or who has served 20 years of consecutive service as a judge of one or more of the above courts and has attained the age of 50 years shall qualify for an annuity. The annual annuity of a judge under this System is an amount equal to 3.25% of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, 3.25% of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge became separated from service. The specified percentage is as follows: (1) 50% for judges who retired prior to July 1, 1998; (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000; (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001; (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006; and (5) 65% for judges who retire and received an annuity on or after July 1, 2006. Any member who has served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

Beginning July 1, 2010, judges contribute to the system at the rate of 9.35% multiplied by the basic salary of the judge. Beginning July 1, 2008, and for each subsequent fiscal year until the system attains fully funded status, the State contributes an amount equal to 30.6% of the basic salary of all covered judges. Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the State contribution shall be equal to 60% of the required contribution rate.

The JRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Judicial Retirement System, Iowa Judicial Branch, 1111 East Court Avenue, Des Moines, IA 50319.

Contributions and Funding Policy. The contributions to JRS are made pursuant to Section 602.9104 of the Code of Iowa and are not based upon actuarial determinations.

The member contribution required and contributed was $2,510,348, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was $8,215,668. The State share is to be based on 30.6% of the statutory salaries at the time of the appropriation request. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

C. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation to PORS and JRS for the current year were as follows:

	PORS	JRS
Annual required contribution	$ 16,826,611	$ 8,225,558
Interest on net pension obligation	2,585,260	1,246,546
Adjustment to annual required contribution	(1,946,409)	(1,440,213)
Annual pension cost	17,465,462	8,031,891
Contributions made	10,741,204	8,215,668
Increase (decrease) in net pension obligation	6,724,258	(183,777)
Net pension obligation beginning of year	32,315,752	16,804,634
Net pension obligation end of year	$ 39,040,010	$ 16,620,857

Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Peace Officers' Retirement, Accident and Disability System			
2010	$ 15,159,941	56.06%	$ 26,203,172
2011	15,666,594	60.98%	32,315,752
2012	17,465,462	61.50%	39,040,010
Judicial Retirement System			
2010	$ 8,063,486	96.81%	$ 17,108,873
2011	7,797,637	103.90%	16,804,634
2012	8,031,891	102.29%	16,620,857

D. Funded Status and Funding Progress

The funded status of each plan as of June 30, 2012, is as follows (expressed in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Iowa Public Employees' Retirement System	$ 23,530,094	$ 29,446,197	$ 5,916,103	79.91%	$ 6,786,159	87.18%
Peace Officers' Retirement, Accident and Disability System	292,910	480,157	187,247	61.00%	43,902	426.51%
Judicial Retirement System	117,272	170,232	52,960	68.89%	25,760	205.59%

* For purposes of this schedule, the AAL for each plan is determined using the entry age actuarial cost method.

The PORS uses the aggregate actuarial cost method to calculate its annual required contribution (ARC). However, the current year funded status information was calculated using the entry age actuarial cost method because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The entry age actuarial cost information for PORS is intended to serve as a surrogate for the funded status and funding progress of the plan.

The Schedules of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Additional information as of the latest actuarial valuation follows:

	IPERS	PORS	JRS
Actuarial valuation date	June 30, 2012	July 1, 2012	July 1, 2012
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Smoothing method - expected value at the valuation date plus 25% of the difference between the market value and expected value. The actuarial value must fall within a corridor of 80% - 120% of market value.	Smoothing method - spreads the difference between the actual return and expected return over four years.	Smoothing method - expected value plus 25% of the difference between the actual and expected value.
Amortization method	Open period, level percent of pay	Closed period, level percent of pay	Level dollar, closed basis
Amortization period	30 years* (open method)	30 years (closed)	25 years (closed)
Rate of investment return	7.50%	8.00%	7.50%
Projected salary increases	4.00% - 17.00% depending upon years of service	7.25% for the first fourteen years, 6.50% for years fifteen through nineteen, 5.25% for year twenty, and 4.25% thereafter	4.50%
Inflation rate	3.25% for prices, 4.00% for wages	3.75% payroll growth	3.25%

* GASB Statement No. 25 states that, beginning in fiscal year 2006, the maximum acceptable amortization period for the total unfunded actuarial liability is 30 years. IPERS' funding policy also provides for a maximum amortization period of 30 years.

F. Teachers Insurance and Annuity Association Retirement Program

The Universities, Board of Regents, the Iowa Braille and Sight Saving School and the Iowa School for the Deaf contribute to the Teachers Insurance and Annuity Association (TIAA) retirement program. These institutions, by contributing to TIAA, participate in a defined contribution retirement plan. The provisions and contribution requirements for TIAA are established by the Board of Regents.

A defined contribution retirement plan provides retirement benefits in return for services rendered, provides individual annuities for each plan participant and specifies how contributions to an individual's annuity are to be determined instead of specifying the amount of benefits the participant is to receive. Under a defined contribution retirement plan, the benefits a participant will receive depend solely on the amount contributed to the participant's annuity and the returns earned on investments of those contributions. As required by the Iowa State Board of Regent's policy, all eligible employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately, except at Iowa State University where employer contributions vest after three years. As specified by the contract agreement with TIAA, each employee through the fifth year of employment contributes 3.33% of the first $4,800 of earnings and 5.00% on the balance of earnings. The employer through the fifth year of employment contributes 6.67% of the first $4,800 of earnings and 10.00% on earnings above $4,800. Upon completion of five years of service, the participant contributes 5.00% and the employer contributes 10.00% on all earnings.

During fiscal year 2012, the employers' contributions amounted to $145,208,560. Employees' contributions amounted to $72,480,559.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

A. State Plan

Plan Description

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self-insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in the plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State operates a single-employer retiree benefit plan which provides medical insurance benefits for retirees. There are 25,842 active and 3,998 retired participants in the plan. The State currently offers five self-insured plans which are available to participants through Wellmark Blue Cross Blue Shield: Program 3 Plus, Deductible 3 Plus, Iowa Select, Blue Access and Blue Advantage.

Funding Policy

The contribution requirements of the plan participants are established and may be amended by the State Legislature. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the State, an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the State's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the State's net OPEB obligation:

Annual required contribution	$	42,723,000
Interest on net OPEB obligation		3,528,000
Adjustment to annual required contribution		(4,814,000)
Annual OPEB cost		41,437,000
Contributions made		(19,452,000)
Increase in net OPEB obligation		21,985,000
Net OPEB obligation beginning of year		78,411,000
Net OPEB obligation end of year	$	100,396,000

The State's plan includes AFSCME employees of the Universities. The portion of the fiscal year 2012 net OPEB obligation related to those employees is $22.8 million. The State plan also includes $1.2 million of the fiscal year 2012 net OPEB obligation allocated to the State's discretely presented component units and fiduciary funds.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2012.

For fiscal year 2012, the State contributed $19.5 million to the medical plan. The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2010	$ 30,009,000	37.36%	$ 55,698,000
2011	39,967,000	43.17%	78,411,000
2012	41,437,000	46.94%	100,396,000

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was $377.9 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $377.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,656.1 million and the ratio of the UAAL to the covered payroll was 22.82%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.00% inflation rate and a 4.50% discount rate based on the estimated long-term investment yield on the general assets of the State. Medical trend rates were developed using a combination of a trend survey and the SOA-Getzen trend rate model. Initial trend rates start at 8.7% (managed care plans) or 9.3% (non-managed care plans) in 2011 and grade down to an ultimate rate of 5% beginning in the year 2024. For the years 2010 through 2015, the rates are based on survey data and client market expectations. The SOA-Getzen model was then used to determine the trend rates between the years 2016 through 2024, based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Mortality rates are from the RP-2000 Healthy Combined Mortality Table with generational improvements using projection scale AA for pre-retirement males set back 3 years, pre-retirement females set back 8 years, post-retirement males not set back, and post-retirement females set forward 1 year with a 70% decrease below age 75 and a 10% decrease above age 75. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System Actuarial Valuation Report as of June 30, 2010. The plan participation assumption is based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The UAAL is being amortized on a level dollar open basis over 30 years.

B. University Funds

Plan Description

The University of Iowa, Iowa State University and the University of Northern Iowa (the Universities) operate single employer benefit plans which provide medical, dental and life insurance benefits for retirees and their spouses. Detailed plan description information is available in the Universities' separately issued financial reports. These reports may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

Funding Policy

The contribution requirements of the plan participants are established and may be amended by the Universities. The Universities currently finance the retiree benefit plans on a pay-as-you-go basis. For fiscal year 2012, the Universities contributed $14.8 million to the plan and members receiving benefits contributed $9.6 million of the premium cost.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Universities' annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation:

Annual required contribution	$	29,210,000
Interest on net OPEB obligation		2,661,000
Adjustment to annual required contribution		(2,635,000)
Annual OPEB cost		29,236,000
Contributions made		(14,783,000)
Increase in net OPEB obligation		14,453,000
Net OPEB obligation beginning of year		47,573,000
Net OPEB obligation end of year	$	62,026,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuaries as the cumulative difference between the actuarially determined funding requirements and the plans' actual contributions for the year ended June 30, 2012.

The Universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2012 and the preceding two fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2010	$ 26,202,000	48.51%	$ 35,366,000
2011	27,548,000	55.69%	47,573,000
2012	29,236,000	50.57%	62,026,000

Funded Status and Funding Progress

As of the most recent actuarial valuation for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was $270.3 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $270.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,274.7 million and the ratio of the UAAL to the covered payroll was 21.20%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The

Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Information from the Universities' latest actuarial valuations follows:

	University of Iowa	Iowa State University	University of Northern Iowa
Actuarial valuation date	July 1, 2011	July 1, 2011	July 1, 2011
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of projected payroll	Level dollar	Level percentage of projected payroll
Amortization period	Open basis over 30 years	Open basis over 30 years	Open basis over 30 years
Rate of investment return	6.95%	4.00%	4.50%
Medical trend rate	8.00%	7.50%	10.00%
Ultimate medical trend rate	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%
Inflation rate	2.50%	2.50%	5.00%
Payroll growth rate	3.50%	n/a	3.50%

NOTE 17 – OTHER TERMINATION BENEFITS

A. State Employee Retirement Incentive Program

On February 10, 2010, the Governor signed into law a state employee retirement incentive program (SERIP) for eligible executive branch employees. Eligible employees include employees of the Executive branch, employees of a Judicial District of the Department of Correctional Services, employees of the State Fair Board, employees of the State Board of Regents if the Board elects to participate in the program, and employees of the Department of Justice. To be eligible, an employee must have been employed on February 10, 2010, be age 55 or older on July 31, 2010 and have submitted an application by the employee's last day of employment to the Iowa Public Employees' Retirement System to begin monthly retirement benefits by July 2010. In addition, employees must have filed a SERIP application on or before April 15, 2010 and terminated employment no later than June 24, 2010. The law also provided for the Legislative and Judicial branches of government to provide a retirement program consistent with the program for the Executive branch employees. The Board of Regents and the Judicial branch did not participate in the program.

Participants in the SERIP will receive the following incentives:

1) Unused sick leave – A cash payment of the monetary value of the participant's accrued sick leave balance, not to exceed $2,000. The payment is calculated by multiplying the number of hours of accrued sick leave by the participant's regular hourly rate of pay at the time of retirement. This payment was made in fiscal year 2010 on the participant's last pay check.

2) Health insurance – A minimum of 5 years of state contributions toward the premiums of a state-sponsored health insurance plan, either through the Sick Leave Insurance Program (SLIP), SERIP or a combination of both programs.

3) Years of service incentive – Cash payments, including the entire value of the participant's accrued but unused vacation leave, and, for participants with at least 10 years of state employment, $1,000 for each year of state employment, up to 25 years of employment. The

total years of service incentive shall be paid in five equal installments beginning in September 2010 and ending in 2014.

In the event a SERIP participant dies within 5 years of termination of employment, the participant's beneficiary will receive any remaining years of service incentive payments. If the participant's surviving spouse is covered on the participant's state retiree health insurance plan, the surviving spouse may elect to continue health insurance coverage and will receive any remaining health insurance contributions under SERIP. If the surviving spouse was not covered by the participant's insurance plan, or if there is no surviving spouse, any remaining health insurance contribution benefits are forfeited.

Participants in SERIP are not eligible to accept any further employment with the State, other than as an elected official or a member of a board or commission, from the date of termination of employment. Participants may not enter into contracts to provide services to the State as independent contractors or consultants.

SERIP is financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for the program have been recorded as liabilities in the government-wide financial statements. The liability for the expected future health insurance benefits at June 30, 2012 is $51.5 million. This was calculated by increasing the insurance premiums in effect at June 30, 2012 for the annual medical trend rates for fiscal years 2013 thru 2020. The annual medical trend rates range from 7.4% in 2013 to 6.6% in 2020. The liability for the years of service incentive installment payments at June 30, 2012 is $38.5 million.

For the year ended June 30, 2012, SERIP costs for 2,067 participants totaled $30.0 million.

B. Board of Regents Retirement Incentive Options

At its March 2009 meeting, the Board of Regents approved the first of three Retirement Incentive Option (RIO) programs, RIO1. The second and third programs, RIO2 and RIO3, were subsequently approved at its October 2009 and April 2010 meetings, respectively. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulate ten years of service with the Universities and who attain the age of 60 (RIO1), 57 (RIO2), and 55 (RIO3) by the date of retirement are eligible for participation. These programs are one-time programs with retirement required to occur no later than January 31, 2010, July 30, 2010, and December 31, 2010, respectively.

Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the Universities providing both the employee and employer share of contributions not to exceed the employee and spouse/domestic partner rate for the Universities' professional plans and not to exceed the employee and family rate for the State of Iowa plans. Eligible employees who elect the incentive and reach Medicare eligibility during the incentive period will be allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility. For RIO3, the participant may choose to receive continued annuity (Defined Contribution Plan only) contributions for a period of up to five years in lieu of the continued medical/dental coverage. The annuity benefit is equal to the Universities' contribution level during active employment of 10% and based on the participant's full budgeted salary at the time of retirement. Term life insurance benefits are fully insured for eligible retirees and are paid for directly by the life insurance carrier. The Universities pay a stated premium based on the value of the policy (which is $4,000) directly to the carrier. The stated premium rate is the same as the premium rate for the active employer life coverage in effect during the fiscal year.

At its April 2010 meeting, the Board of Regents approved the Phased Plus Retirement Program. Faculty, professional and scientific, merit system employees, and institutional officials who had accumulated ten years of service with Iowa State University who attained the age of 55 at the time of initial reduction of employment were eligible for participation in the Phased Plus Retirement Program. This is a one-time program with the maximum phasing period of two years with full retirement required at the end of the specified phasing period. At no time during the phasing period may an employee hold less than a 50% or greater than a 65% appointment. Phased retirement period is required to occur no later than January 1, 2012. At the end of the appointment, the employee would have the option of medical coverage or employer-paid retirement contributions for the balance of five years once phased retirement has begun, with the same stipulations as the RIO3 program.

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2012, totaled $8.6 million for 999 participants of RIO1, RIO2, RIO3 and the Phased Plus Retirement Program.

On March 5, 2012, the Board of Regents approved and Early Separation Incentive Program. The 2012 Program was a one-time program which expired on April 30, 2012. Eligibility for participation was limited to faculty members holding a tenured appointment in a program area identified for closure or restructuring by the

University of Northern Iowa. Employees participating in the program were required to resign or retire by June 29, 2012. The program included the following benefits:

1) Payment of one year of salary based upon the employee's appointment salary on the date of retirement or resignation.

2) Cash payment equal to the value of eighteen months of COBRA premiums for health and dental insurance.

3) Payment of accrued sick leave, not to exceed $2,000.

All Early Separation Incentive Program contracts were fulfilled and funded by the University of Northern Iowa during fiscal year 2012 and payments for eight participants totaled $0.9 million.

C. State Police Officers Council

The State Police Officers Council (SPOC) Collective Bargaining Agreement provides upon retirement, including disability retirement, credit for all unused sick leave.

Accumulated unused sick leave in both the active and banked sick leave accounts shall be converted at current value and credited to the employee's account for the purpose of paying the cost of the monthly premiums of a health insurance and/or life insurance policy.

Upon written authority from or upon the death of a retired employee, or upon the death of an active employee, the spouse or the surviving spouse shall be entitled to the value of the sick leave bank in both the active and banked sick leave accounts as converted in the previous paragraph for the purpose of paying the cost of monthly premiums of the health insurance and/or life insurance policy for the employee's spouse or dependents.

If the carrier of either the health or life insurance policy is not a current contracted carrier with the State of Iowa, SPOC or any of its suborganizations, the employee or spouse shall be eligible for reimbursement of a premium payment to that carrier upon submission of proof of payment. If there is dissolution of marriage or divorce, it is the employee's responsibility to withdraw their authority.

The benefits are funded on a pay-as-you-go basis for Department of Public Safety retirees and are fully funded for Department of Natural Resources retirees.

For the year ended June 30, 2012, 218 SPOC retirees received benefits totaling $1.2 million.

D. Other Voluntary Termination Benefit Programs

Voluntary termination benefit programs have been established through collective bargaining for Executive branch AFSCME and IUP employees, Judicial branch AFSCME and PPME employees and Community Based Corrections employees. The programs are also offered to Executive branch non-contract employees, Judicial branch non-contract employees, Legislative employees and Community Based Corrections non-contract employees, except for judicial officers. The programs allow employees who are eligible upon a bona fide retirement to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to $2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick hours the employee had before the cash payment:

If the sick leave balance is:	**The conversion rate is:**
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP) account. Each month, the retiree's former employing department will pay 100% of the employer share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The employer will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, the employee waives the benefit or the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir.

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the Sick Leave Insurance Program will be forfeited.

All program benefits are financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for this program have been recorded as a liability in the government-wide financial statements.

For the year ended June 30, 2012, 799 employees from the Executive and Legislative branches have retired and received benefits totaling $4.5 million under SLIP. In addition, 170 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling $1.3 million under SLIP.

NOTE 18 – RISK MANAGEMENT

A. Self-Insurance/Retention of Risk

It is the policy of the State not to purchase commercial insurance, except as detailed below in Section B, for the risks of losses to which it is exposed. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service funds or to pay claims from the General Fund.

Specific claim adjustment expenditures/expenses and estimated recoveries on unsettled claims are included in the determination of claims liability. Other allocated or unallocated claims adjustment expenditures/expenses are not included.

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities for fiscal years 2011 and 2012 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 11	$ 47,629	26,105	22,280	$ 51,454
FY 12	51,454	23,235	22,355	52,334

The State is self-insured for various risks of loss related to its motor vehicle fleet. The Vehicle Dispatcher Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on historical experience and the application of an industry standard of 40% for IBNR claims. Changes in the balances for estimated claims liabilities for fiscal years 2011 and 2012 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 11	$ 16	331	56	$ 291
FY 12	291	22	155	158

The State is self-insured for various risks of loss related to the operation of the Board of Regents Institutions' motor vehicle fleets. The Regent's Motor Vehicle Liability Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on statistical techniques that reflect recent settlements, similar claim history and other economic and social factors. Changes in the balances for estimated claims liabilities for fiscal years 2011 and 2012 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 11	$ 1,186	975	385	$ 1,776
FY 12	1,776	215	423	1,568

The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than $5,000 require the unanimous approval of all members of the Board, the Attorney General and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities for fiscal years 2011 and 2012 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 11	$ 18,000	8,508	6,508	$ 20,000
FY 12	20,000	17,240	17,240	20,000

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and various property damage not covered as described below. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claims liabilities for various property damage are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2011 and 2012 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 11	$ 35,055	187,697	191,238	$ 31,514
FY 12	31,514	200,640	203,368	28,786

B. Insurance/Transfer of Risk

The State insures with commercial insurers for certain risks of loss assuming liability for any deductibles and claims in excess of coverage limitations.

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured.

The State maintains an employee fidelity bond for $2.0 million with the three State public universities carrying additional coverage of $0.5 million to $8.0 million.

The University of Iowa is insured for $1.5 billion for catastrophic property loss for general fund properties with a $2 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises. In fiscal year 2011, the fine art collections were insured for $400 million; the insurance coverage was reduced in the current fiscal year to $260 million due to the movement of art to multiple locations, so that no one location has more than $260 million of art.

Iowa State University is insured for $2.1 billion for catastrophic property loss for general fund properties with a $2 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.

The University of Northern Iowa is insured for $650.0 million for catastrophic property loss for general fund properties with a $2 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.

The Iowa Braille and Sight Saving School is insured for catastrophic loss liabilities for $43.6 million after a $1.0 million deductible.

The eight Judicial Districts individually insure buildings and contents with coverages ranging from $2.1 million to $24.9 million.

The Iowa Lottery Authority is insured for $9.8 million for buildings and contents.

Iowa Workforce Development is insured for $23.0 million for buildings and contents.

Iowa Public Television insures broadcasting trucks and contents for $3.1 million.

There were no settlements in excess of coverage for the past three fiscal years.

NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Department of Revenue* has pending litigation regarding income tax cases. The cases could possibly result in refunds estimated at $1.9 million.

The *Iowa Public Employees' Retirement System* (IPERS) monitors, evaluates, and takes the necessary actions related to federal securities class-action litigation.

In the fraud action against Westridge Capital Management, IPERS is aggressively pursuing its financial interests in the U.S. District Court for the Southern District of New York. On April 21, 2011, IPERS received an initial distribution in the amount of $215.2 million. The receiver has not distributed all assets under its control. Management of the IPERS and the Iowa Attorney General believe IPERS will receive additional distributions from the receiver. IPERS also filed suit against Westridge Capital Management's auditor, Deloitte & Touche. This litigation is in the initial stages and will take time to resolve.

IPERS is also aggressively defending a case filed in Polk County District Court, Iowa. The case is captioned *Robert J. Brunkhorst v. Iowa Public Employees' Retirement System*, CV No. 104520. Mr. Brunkhorst filed a claim under the Iowa Tort Claims Act alleging IPERS failed to implement the actuarial cost method for service purchase buy-backs in a timely fashion, causing a loss to the IPERS Trust Fund. IPERS denies the allegation. Management of IPERS believes that it will have no material effect on the financial statements through June 30, 2012.

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional $1.406 billion to various private equity/debt partnerships and real estate investment managers at June 30, 2012.

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of $428.5 million at June 30, 2012.

The *University of Iowa* has outstanding construction contract commitments of $265.0 million at June 30, 2012.

Iowa State University has outstanding construction contract commitments of $83.0 million at June 30, 2012.

The *University of Northern Iowa* has outstanding construction contract commitments of $10.8 million at June 30, 2012.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of $9.5 million at June 30, 2012.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of $24.2 million at June 30, 2012.

The *Iowa Department of Human Rights* has outstanding contractual obligations of $32.5 million at June 30, 2012.

The *Iowa Communications Network* has outstanding contractual obligations of $36.7 million at June 30, 2012.

The *Iowa Department of Human Services* has outstanding contractual obligations of $807.6 million at June 30, 2012.

The State of Iowa has encumbrances at June 30, 2012, totaling $32.7 million, $29.2 million in the General Fund and $3.5 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has committed to purchase $39.1 million in mortgage-backed securities, approved loan agreements under various housing assistance programs for $7.9 million and signed loan agreements under the State Revolving Fund totaling $226.7 million at June 30, 2012.

The *Iowa Economic Development Authority* has contractual commitments of $577.1 million at June 30, 2012.

NOTE 20 – BEGINNING BALANCE ADJUSTMENTS

Primary Government

For fiscal year 2012, the Statement of Activities – Governmental Activities beginning net assets decreased $206.6 million and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds beginning fund balances decreased $209.7 million.

On July 18, 2011, the *Iowa Economic Development Authority* was established as a legally separate entity. The beginning balances related to this activity were reclassified from Primary Government to Discretely Presented Component Unit activity. The Statement of Activities – Governmental Activities beginning net assets decreased $207.3 million, and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds beginning fund balances decreased $210.4 million, $195.6 million in the General Fund and $14.8 million in the Special Revenue funds.

During fiscal year 2012, the *Iowa College Student Aid Commission* revalued student loan receivables and related allowances for doubtful accounts. This resulted in the Statement of Activities – Governmental Activities beginning net assets increasing $0.7 million, and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds beginning fund balances increasing $0.7 million, $1.0 million decrease in the General Fund and $1.7 million increase in the Special Revenue funds.

Component Units

The Statement of Activities – Component Units beginning net assets increased $208.2 million related to the *Iowa Economic Development Authority*.

NOTE 21 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major Special Revenue Fund, had a deficit fund balance of $461.8 million at June 30, 2012. Due to the implementation of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, in fiscal year 2008, an interfund advance was recorded in the Tobacco Collections Fund, causing a deficit fund balance. As future tobacco collections are received in the Tobacco Collections Fund and remitted to the Tobacco Settlement Authority for repayment of debt, the interfund advance will be reduced and the deficit eliminated.

NOTE 22 – EXTRAORDINARY ITEMS

Iowa State University sustained significant damage to property and impairment to capital assets as a result of the August 2010 flooding. The activity related to this event is reported as an extraordinary item as it is both unusual in nature and infrequent in occurrence. The resulting total gross impairment loss, based on each asset's carrying value, is $4.8 million. GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires that impairment loss be reported net of insurance recoveries. Iowa State University has estimated that realizable insurance recovery associated with building impairment to be $5.5 million, resulting in a net building impairment gain of $0.7 million.

The following details the components of the extraordinary gain at June 30, 2012, (expressed in thousands):

Net building impairment loss (see NOTE 6)	$	(4,504)
Flood related expenses		(337)
Other insurance recoveries		5,832
Net extraordinary item	$	991

NOTE 23 – SUBSEQUENT EVENTS

In August 2012, the *University of Iowa* received approval from the State Board of Regents to issue University of Iowa Facilities Corporation Revenue Bonds, (John and Mary Pappajohn Biomedical Discovery Building Project) Series 2012 in the amount of $27 million for the purpose of funding the costs of constructing and equipping the John and Mary Pappajohn Biomedical Discovery Building, to fund a debt service reserve fund, and to pay the costs of issuing the bonds; this is the second of two series of bonds for this project. These bonds will bear interest at varying rates between 2.0% and 3.30% and will mature in varying amounts from June 1, 2014 through June 1, 2038. The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University of Iowa. Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa. The Board must, therefore, approve the sale and terms of the bonds. The Corporation's interest in the facility will be leased to the Board during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the Facilities Corporation will be conveyed to the University, subject to approval of the Board of Regents.

In September 2012, the *University of Iowa* received approval from the State Board of Regents to issue Hospital Revenue Bonds, Series S.U.I. 2012 in the amount of $190 million in September 2012 for the purpose of constructing, improving, remodeling, repairing, furnishing, and equipping a new children's hospital at the University of Iowa Hospitals and Clinics on the University of Iowa campus, funding a debt service reserve fund, and paying the costs of issuing the bonds. These bonds will bear interest at 4.0% and will mature in varying amounts from September 1, 2014 through September 1, 2038.

In August 2012, the *University of Iowa* received approval from the State Board of Regents to issue Dormitory Revenue Bonds, Series S.U.I. 2012A in the amount of $29 million in August 2012 for the purpose of paying a portion of the costs of constructing and equipping a new residence hall for student housing and related facilities, funding a debt service reserve fund, and paying for the costs of issuing the bonds. These bonds will bear interest at varying rates between 3.0% and 3.125% and will mature in varying amounts from July 1, 2014 through July 1, 2033.

In October 2012, the *University of Iowa* received approval from the State Board of Regents to issue Academic Building Revenue Bonds, Series S.U.I. 2012 in the amount of $26.8 million in November 2012 for the purpose of paying at maturity $27 million of Academic Building Revenue Flood Anticipation Project Notes, Series S.U.I. 2009, dated December 1, 2009, to fund a debt service reserve fund and to pay the cost of issuance. These bonds will bear interest at varying rates between 2.0% and 3.0% and will mature in varying amounts from July 1, 2014 through July 1, 2033.

The *State Board of Regents*, on behalf of the *University of Iowa,* has entered into a Master Lease Agreement with Wells Fargo Bank whereby the University of Iowa, University of Northern Iowa, and Iowa State University may finance real and personal property over a three to ten year term on an annual appropriation lease basis. As of August 1, 2012, the University of Iowa has $1.8 million outstanding under the Master Lease Agreement. The University of Iowa's note will bear interest at 1.60% for five years with monthly principal and interest payments starting September 1, 2012.

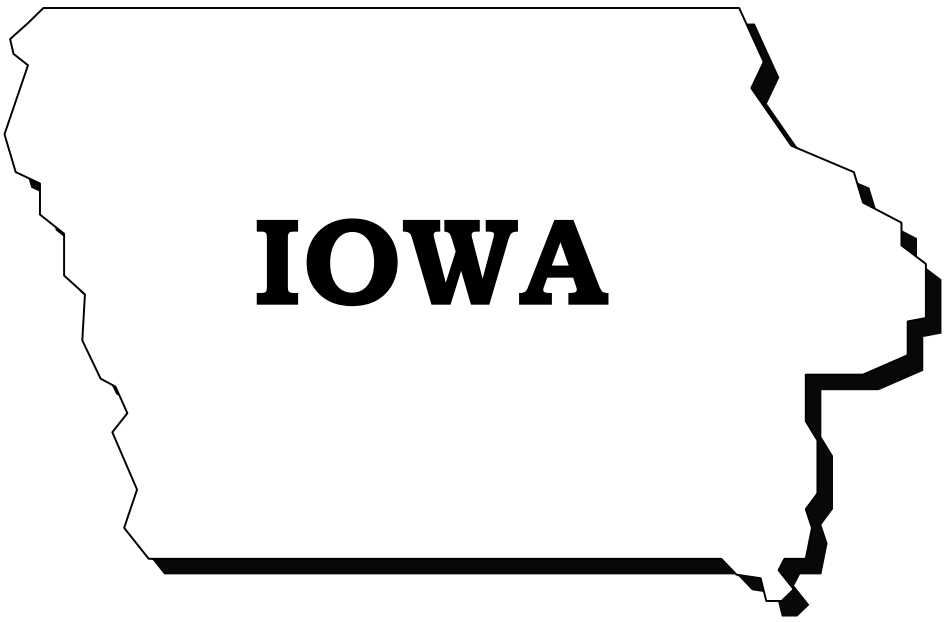
Subsequent to June 30, 2012, a company of a major donor to the *University of Northern Iowa (UNI) Foundation* declared bankruptcy. The donor's pledge receivable of $500,000 was written off as of June 30, 2012. As of September 30, 2012, the UNI Foundation has not been contacted by the bankruptcy trustee regarding past contributions received by the UNI Foundation from the company. As of the date of release of the UNI Foundation's financial statements, there was not enough information to assess the likelihood of a contingent liability for return of contributions in excess of $1.5 million related to this event. As a result, a contingent liability was not recorded on the UNI Foundation's financial statements as of June 30, 2012. Writing off the donor's

pledge receivable has reduced the unrestricted funds available to the University of Northern Iowa's Intercollegiate Athletics department.

Subsequent to June 30, 2012, the *State of Iowa* reached an agreement to restructure financing for which contingent tax credits had been pledged. According to the restructuring agreement, the *Iowa Department of Revenue* will sell $4 million in tax credits annually over six years. While the agreement obligates the State to redeem tax credits over a six year period, the State also gets a lien on the underlying portfolio which is to date not impaired.

Subsequent to June 30, 2012, the *Iowa College Student Aid Commission* (ICSAC), after a year-long review of strategic options, voted to transfer its Federal Family Education Loan Program (FFELP) guarantee portfolio to the Great Lakes Higher Education Guaranty Corporation (Great Lakes). ICSAC intends to work cooperatively and expeditiously with Great Lakes and the U.S. Department of Education to ensure a seamless transition of borrower accounts to Great Lakes on or about October 1, 2012. The financial impact of this move is uncertain, however, the Federal Student Loan Reserve Fund will be transferred to Great Lakes and closed May 16, 2013.

In August of 2012, the *Iowa Department of Human Services* signed a $35 million contract for a system integrator, with an additional $10 million agreed upon for equipment and software. The integrator system is part of the new eligibility system that is being built to replace the outdated IABC system. The total cost of the project including staff and other supporting contracts is estimated at $73 million. The federal government is reimbursing DHS for approximately 90% of the total cost of the new system. Once the system is built, DHS has agreed to pay an additional $32.7 million for maintenance which covers through fiscal year 2022.


IOWA

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2012
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	$ 3,593,900	$ 3,624,900	$ 3,666,547	$ 41,647
Sales/use tax	2,476,000	2,462,300	2,505,150	42,850
Corporation income tax	428,500	499,000	545,725	46,725
Inheritance tax	73,100	75,700	79,670	3,970
Insurance premium tax	100,300	96,300	101,406	5,106
Cigarette tax	106,700	95,500	103,155	7,655
Tobacco tax	15,700	15,500	16,327	827
Beer & liquor tax	14,400	14,400	14,726	326
Franchise tax	40,000	35,700	41,121	5,421
Miscellaneous tax	1,000	1,100	1,092	(8)
Total special taxes	6,849,600	6,920,400	7,074,919	154,519
Reimbursements & fees:				
Institutional reimbursements	14,900	14,600	12,143	(2,457)
Liquor transfers	85,400	92,000	95,549	3,549
Interest	2,600	3,700	2,424	(1,276)
Fees	36,800	26,700	29,507	2,807
Judicial revenue	112,000	111,700	112,995	1,295
Miscellaneous receipts	26,800	27,500	40,041	12,541
Racing & gaming receipts	66,000	66,000	66,000	-
Total receipts	7,194,100	7,262,600	7,433,578	170,978
Transfers	66,700	87,200	108,740	21,540
Economic Emergency Fund Surplus	284,900	381,434	381,434	-
TOTAL APPROPRIATED REVENUE	**7,545,700**	**7,731,234**	**7,923,752**	**192,518**
RECEIPTS CREDITED TO APPROPRIATIONS				
Sales tax quarterly	1	1	-	(1)
Multi suspense	6,041	6,041	7,069	1,028
Federal support	2,812,530	2,815,761	2,741,018	(74,743)
Local governments	242,348	242,429	250,506	8,077
Other states	1	1	584	583
Internal service transfers	472,528	461,031	466,077	5,046
Reimbursements from other departments	26,838	11,875	9,685	(2,190)
Government fund type transfers-				
Attorney General	-	15,165	14,712	(453)
Auditor of State	-	5,000	3,392	(1,608)
Other agencies	99	12,331	31,227	18,896
Interest	50	50	66	16
Fees, licenses & permits	50,705	52,596	42,335	(10,261)
Refunds & reimbursements	442,433	439,132	453,540	14,408
Sale of equipment & salvage	4	4	17	13
Rents & leases	2,930	2,930	2,613	(317)
Agricultural sales	-	-	2	2
Other sales & services	3,172	3,161	3,707	546
Unearned receipts	6,853	6,858	7,256	398
Other	10,988	10,984	10,524	(460)
TOTAL APPROPRIATED RECEIPTS	**4,077,521**	**4,085,350**	**4,044,330**	**(41,020)**
TOTAL ALL REVENUE	**11,623,221**	**11,816,584**	**11,968,082**	**151,498**
SCHOOL INFRASTRUCTURE TRANSFER	**(411,600)**	**(412,500)**	**(410,596)**	**1,904**
REFUNDS OF TAXES COLLECTED	**(856,800)**	**(884,200)**	**(820,595)**	**63,605**
TOTAL REVENUES AVAILABLE	**10,354,821**	**10,519,884**	**10,736,891**	**217,007**

(continued on next page)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	327,506	356,564	345,548	11,016
Agriculture & natural resources	154,911	155,076	151,763	3,313
Economic development	49,796	53,251	49,467	3,784
Education	3,659,848	3,665,269	3,656,664	8,605
Health & human services	5,176,282	5,189,435	5,114,927	74,508
Justice	538,505	550,067	551,680	(1,613)
Transportation	-	735	527	208
Judicial	161,370	162,062	161,982	80
Legislature	35,833	35,823	33,091	2,732
TOTAL EXPENDITURES	**10,104,051**	**10,168,282**	**10,065,649**	**102,633**
REVENUES AVAILABLE OVER EXPENDITURES AND TRANSFERS	**250,770**	**351,602**	**671,242**	**319,640**
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	35,009	81,733	81,733	-
Unexpended appropriations	(6,476)	(6,012)	(64,791)	(58,779)
TOTAL OTHER FINANCING SOURCES (USES)	**28,533**	**75,721**	**16,942**	**(58,779)**
REVENUES AVAILABLE OVER EXPENDITURES AND OTHER ITEMS	**279,303**	**427,323**	**688,184**	**260,861**
BEGINNING FUND BALANCE (BUDGETARY)	**-**	**-**	**-**	**-**
REMAINING FUND BALANCE (BUDGETARY)	**$ 279,303**	**$ 427,323**	**$ 688,184**	**$ 260,861**
ENDING FUND BALANCE (BUDGETARY)	**$ 279,303**	**$ 427,323**	**$ 688,184**	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(279,303)	(427,323)	(688,184)	
REMAINING FUND BALANCE (BUDGETARY)	**$ -**	**$ -**	**$ -**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - Budget to GAAP Reconciliation - General Fund

June 30, 2012
(Expressed in Thousands)

Fund balance- budgetary/legal	**$ 688,184**
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	248,543
Loans receivable	255
Due from other funds	4,198
Prepaid expenditures	25,021
Accounts payable & accruals	(113,237)
Due to other funds	(60,927)
Deferred revenue	(153,352)
Budgetary unexpended appropriations	64,791
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	17,901
Perspective differences	1,904,644
Total fund balance - GAAP basis	**$ 2,626,021**

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended June 30, 2012, actual expenditures exceeded budgeted expenditures in the General Fund in the Judicial function.

For the Judicial function, the *Iowa Courts* received additional revenues over budgeted amounts and expended those funds on allowable program expenditures.

BUDGETARY PRESENTATION

The budget encompasses the General Fund of the State and some Special Revenue Funds (IOWAccess Revolving Fund, Real Estate Education, Medicaid Fraud Fund, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Environment First Fund, Property Tax Credit Fund, Technology Reinvestment Fund, Federal Recovery and Reinvestment Fund, Revenue Bonds Capital II Fund, Healthy Iowan's Tobacco Trust, Revenue Bonds Capital Fund, Health Care Trust, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Restricted Capitals Fund, Agrichemical Remediation Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Fish and Game Trust Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Local Housing Assistance, Wine and Beer Promotion Board Fund, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, School Infrastructure Fund, Stafford Loan Program, Nonparticipating Provider Reimbursement Fund, Department of Human Services Reinvestment Fund, Pharmaceutical Settlement Fund, Health Care Transformation Fund, IowaCare Fund, Quality Assurance Fund, Primary Road Fund, State Aviation Fund, Hospital Health Care Access Trust Fund, Court Technology and Modernization Fund and Merchant Marine Bonus Fund). There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The major Special Revenue Funds, Tobacco Settlement Authority and Tobacco Collections Fund, do not have legally adopted budgets and, therefore, are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds in the supplementary information section.

The beginning budgetary fund balance for the nonmajor Special Revenue Funds was restated to include the IOWAccess Revolving Fund and Wine and Beer Promotion Board Fund. These funds were established in prior years; however, fiscal year 2012 is the first year moneys were appropriated (budgeted) from the funds. These funds are classified as Special Revenue Funds for budgetary purposes. The following summarizes the change to the beginning budgetary fund balance for nonmajor Special Revenue Funds (expressed in thousands):

	Actual
July 1, 2011 budgetary fund balances	$ 976,966
Adjustment for:	
IOWAccess Revolving Fund	2,963
Wine and Beer Promotion Board Fund	447
Budgetary fund balances restated	$ 980,376

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2011 and includes estimated approved budgetary carry-forwards from the prior fiscal year.

The final appropriations budget represents original and supplemental appropriations, actual budgetary carry-forwards, approved transfers, executive order reductions and timing differences.

The State's budget is prepared annually by the Governor on a modified cash basis and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When an appropriation bill is passed by both houses of the General Assembly, the bill is enrolled and sent to the Governor. The Governor may sign it into law or veto it in whole or in part on a line item basis. Funds may be disbursed only after appropriations have been allotted by the Department of Management, subject to the review of the Governor, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend.

Departments may request revisions to allotments, appropriations transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at the fiscal year-end and all unencumbered or unobligated balances revert to the State treasury, unless otherwise provided.

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

Budgetary control is essentially maintained at the department fund level except for certain grant and aid programs where control is maintained at a program level. Revenues and expenditures are monitored on a continuing basis. State law authorizes the Governor to impose across-the-board pro rata reductions in allotments to ensure revenues and other available funds are sufficient to pay expenses of a given fiscal year.

Separate reports for the General Fund and budgeted Special Revenue Funds presenting detail of the legal level of control and actual expenditures are available from the Department of Management.

GENERAL FUND EXPENDITURE LIMITATION

The Code of Iowa, section 8.54, establishes a state General Fund expenditure limitation of 99.0% of the adjusted revenue estimate. The adjusted revenue estimate is the appropriated revenue estimate for the General Fund for the following fiscal year as determined by the Revenue Estimating Conference, adjusted by subtracting estimated tax refunds payable from that estimated revenue and as determined by the Conference, adding any new revenues which may be considered to be eligible for deposit into the General Fund. "New revenues" means moneys which are received by the State due to increased tax rates and fees or newly created taxes and fees over and above those moneys which are received due to state taxes and fees which are in effect as of January 1 following the December Revenue Estimating Conference. "New revenues" also includes moneys received by the General Fund of the State due to new transfers over and above those moneys received by the General Fund of the State due to transfers which are in effect as of January 1 following the December Revenue Estimating Conference. The Department of Management shall obtain concurrence from the Revenue Estimating Conference on the eligibility of transfers to the General Fund which are to be considered as new revenue in determining the General Fund expenditure limitation.

This limitation shall be used by the Governor in the preparation of the budget and by the General Assembly in the budget process. If a source for new revenues is proposed, the budget revenue projection used for that new revenue source for the period beginning on the effective date of the new revenue source and ending in the fiscal year in which the source is included in the revenue base shall be an amount determined by subtracting estimated tax refunds payable from the projected revenue from the new revenue source, multiplied by 95.0%. If a new revenue source is established and implemented, the original General Fund expenditure limitation amount shall be readjusted to include 95.0% of the estimated revenue from the new source.

For fiscal years in which the Iowa Economic Emergency Fund transfers money to the General Fund, the original General Fund expenditure limitation amount provided for shall be readjusted to include the moneys which are so transferred.

The scope of the expenditure limitation shall not encompass federal funds, donations, constitutionally dedicated moneys and moneys in expenditures from state retirement system moneys. The Governor shall submit and the General Assembly shall pass a budget that does not exceed the State General Fund expenditure limitation. The Governor shall not submit and the General Assembly shall not pass a budget which in order to balance assumes reversion of a specific amount for the total of the appropriations included in the budget.

RESERVE FUNDS

The **Iowa Economic Emergency Fund** was created in Iowa Code section 8.55. The fund is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

The **Cash Reserve Fund** was created in Iowa Code section 8.56. The fund is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund of the State for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

STATE OF IOWA

Required Supplementary Information
Schedules of Funding Progress

(Expressed in Thousands)

PENSION PLANS

Peace Officers' Retirement, Accident and Disability System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2010	July 1, 2010	$ 290,559	$ 433,402	$ 142,844	67.04%	$ 41,955	340.47%
2011	July 1, 2011	288,851	461,595	172,744	62.58%	43,494	397.17%
2012	July 1, 2012	292,910	480,157	187,247	61.00%	43,902	426.51%

* The annual required contribution is calculated using the aggregate actuarial cost method.

Judicial Retirement System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2010	July 1, 2010	$ 99,416	$ 156,029	$ 56,613	63.72%	$ 25,480	222.19%
2011	July 1, 2011	109,512	164,511	54,999	66.57%	26,403	208.31%
2012	July 1, 2012	117,272	170,232	52,960	68.89%	25,760	205.59%

* The entry age actuarial cost method is used to calculate the actuarial accrued liability and annual required contribution.

OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
State Plan *							
2010	July 1, 2008	$ -	$ 293,481	$ 293,481	0.00%	$ 1,561,799	18.79%
2011	July 1, 2010	-	377,933	377,933	0.00%	1,656,131	22.82%
2012	July 1, 2010	-	377,933	377,933	0.00%	1,656,131	22.82%
University Funds **							
2010	July 1, 2009	$ -	$ 244,700	$ 244,700	0.00%	$ 1,247,600	19.61%
2011	July 1, 2010	-	254,300	254,300	0.00%	1,251,600	20.32%
2012	July 1, 2011	-	270,300	270,300	0.00%	1,274,700	21.20%

* The entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

** The projected unit credit method is used to calculate the actuarial accrued liability and the annual required contribution.

Pension Trust funds and Other Postemployment Benefits are discussed in detail in the Notes to the Financial Statements (see NOTE 15 - PENSION PLANS and NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS).

SUPPLEMENTARY INFORMATION

STATE OF IOWA

Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type

June 30, 2012
(Expressed in Thousands)

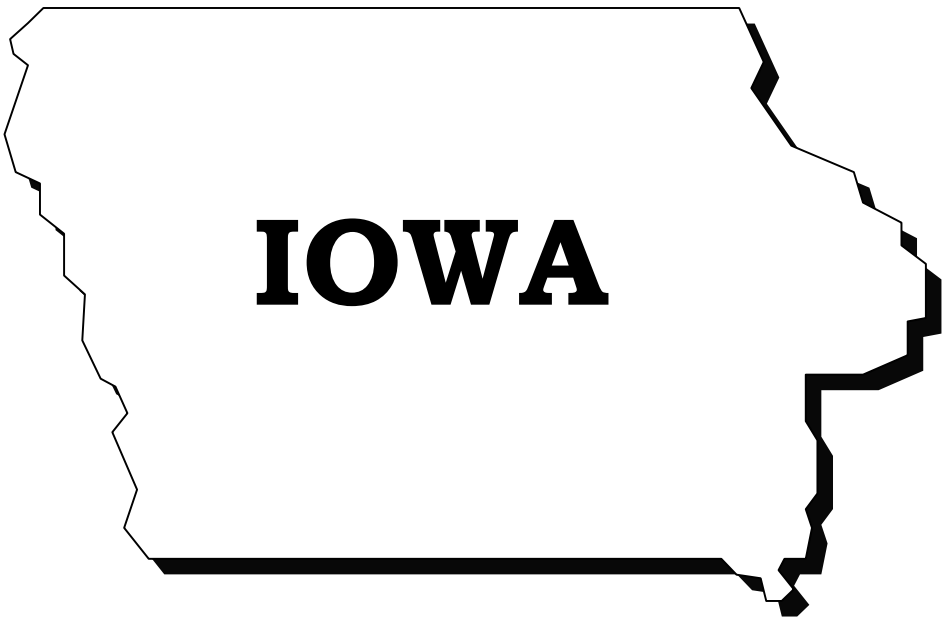
	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	$ 73,945	$ 49,152	$ 16,002	$ 139,099
Deposits with trustees	2,366	85	-	2,451
Accounts receivable (net)	14,606	909	-	15,515
Loans receivable (net)	685	-	-	685
Due from other funds	1,613	4,570	-	6,183
Inventory	95	-	-	95
Prepaid expenditures	95	-	-	95
Total current assets	93,405	54,716	16,002	164,123
Noncurrent assets:				
Accounts receivable (net)	132	-	-	132
Loans receivable (net)	3,310	-	-	3,310
Due from other funds/ advances to other funds	26,580	-	-	26,580
Total noncurrent assets	30,022	-	-	30,022
TOTAL ASSETS	**$ 123,427**	**$ 54,716**	**$ 16,002**	**$ 194,145**
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	$ 2,183	$ 16,242	$ -	$ 18,425
Due to other funds	9,087	305	-	9,392
Deferred revenue	1,342	60	-	1,402
Total current liabilities	12,612	16,607	-	29,219
Noncurrent assets:				
Accounts payable & accruals	280	-	-	280
TOTAL LIABILITIES	**12,892**	**16,607**	**-**	**29,499**
FUND BALANCES				
Nonspendable	190	-	16,002	16,192
Spendable:				
Restricted	93,991	28,022	-	122,013
Committed	16,366	10,087	-	26,453
Unassigned	(12)	-	-	(12)
TOTAL FUND BALANCES	**110,535**	**38,109**	**16,002**	**164,646**
TOTAL LIABILITIES & FUND BALANCES	**$ 123,427**	**$ 54,716**	**$ 16,002**	**$ 194,145**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - By Fund Type

For the Year Ended June 30, 2012
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	$ 44,946	$ 6,688	$ 300	$ 51,934
Investment income	657	(4)	97	750
Fees, licenses & permits	38,066	-	-	38,066
Refunds & reimbursements	37,576	122	-	37,698
Sales, rents & services	3,671	13	-	3,684
Miscellaneous	15,772	-	75	15,847
GROSS REVENUES	**140,688**	**6,819**	**472**	**147,979**
Less revenue refunds	4,272	-	-	4,272
NET REVENUES	**136,416**	**6,819**	**472**	**143,707**
EXPENDITURES				
Current:				
Administration & regulation	12,700	-	-	12,700
Education	83,855	-	-	83,855
Health & human rights	453	283	-	736
Human services	162	-	-	162
Justice & public defense	1,155	-	-	1,155
Transportation	352	-	-	352
Agriculture & natural resources	1,686	8,455	-	10,141
Capital outlay:				
Administration & regulation	59	575	-	634
Education	116	-	-	116
Health & human rights	1	8,192	-	8,193
Human services	8	1,660	-	1,668
Justice & public defense	120	71,682	-	71,802
Transportation	169	-	-	169
Agriculture & natural resources	1	10,670	-	10,671
Debt service:				
Principal	485	6,780	-	7,265
Interest	1,493	1,618	-	3,111
TOTAL EXPENDITURES	**102,815**	**109,915**	**-**	**212,730**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**33,601**	**(103,096)**	**472**	**(69,023)**
OTHER FINANCING SOURCES (USES)				
Transfers in	9,377	36,586	100	46,063
Transfers out	(42,964)	(4,616)	(97)	(47,677)
TOTAL OTHER FINANCING SOURCES (USES)	**(33,587)**	**31,970**	**3**	**(1,614)**
NET CHANGE IN FUND BALANCES	**14**	**(71,126)**	**475**	**(70,637)**
FUND BALANCES - JULY 1, RESTATED	**110,521**	**109,235**	**15,527**	**235,283**
FUND BALANCES - JUNE 30	**$ 110,535**	**$ 38,109**	**$ 16,002**	**$ 164,646**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Guaranty Agency Operating fund receives collections on defaulted student loans, default aversion fees, account maintenance fees and interest to pay for the operating of the Iowa guaranteed loan program.

Honey Creek Authority accounts for bond proceeds issued for the development of Honey Creek Park. The bonds are to be repaid from net revenues of the park.

Federal Student Loan Reserve receives default fees, interest and overpayments and repurchase of claim payments to be used for payment of default claims to lenders and default aversion fees.

Iowa Public Television Foundation is a non-profit corporation that solicits and manages gifts of money and property for Iowa Public Television.

Other Special Revenue Funds are aggregated for reporting purposes and account for various other revenues which must be used for specific purposes.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2012
(Expressed in Thousands)

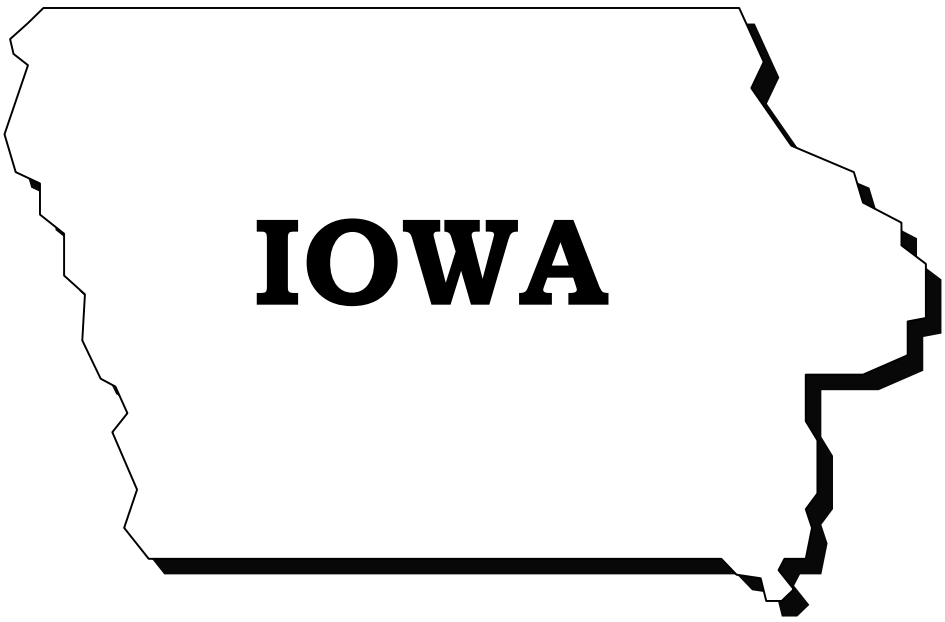
	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 20,165	$ -	$ 18,040	$ 7,050	$ 28,690	$ 73,945
Deposits with trustees	-	2,366	-	-	-	2,366
Accounts receivable (net)	1,094	7	4,730	862	7,913	14,606
Loans receivable (net)	569	-	-	-	116	685
Due from other funds	565	565	73	110	300	1,613
Inventory	-	-	-	33	62	95
Prepaid expenditures	45	-	-	50	-	95
Total current assets	22,438	2,938	22,843	8,105	37,081	93,405
Noncurrent assets:						
Accounts receivable (net)	-	-	-	132	-	132
Loans receivable (net)	3,084	-	-	-	226	3,310
Due from other funds/ advances to other funds	-	26,580	-	-	-	26,580
Total noncurrent assets	3,084	26,580	-	132	226	30,022
TOTAL ASSETS	**$ 25,522**	**$ 29,518**	**$ 22,843**	**$ 8,237**	**$ 37,307**	**$ 123,427**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 1,104	$ -	$ 10	$ 254	$ 815	$ 2,183
Due to other funds	71	-	525	273	8,218	9,087
Deferred revenue	-	-	-	674	668	1,342
Total current liabilities	1,175	-	535	1,201	9,701	12,612
Noncurrent liabilities:						
Accounts payable & accruals	280	-	-	-	-	280
TOTAL LIABILITIES	**1,455**	**-**	**535**	**1,201**	**9,701**	**12,892**
FUND BALANCES						
Nonspendable	45	-	-	83	62	190
Spendable:						
Restricted	24,022	29,518	22,308	6,953	11,190	93,991
Committed	-	-	-	-	16,366	16,366
Unassigned	-	-	-	-	(12)	(12)
TOTAL FUND BALANCES	**24,067**	**29,518**	**22,308**	**7,036**	**27,606**	**110,535**
TOTAL LIABILITIES & FUND BALANCES	**$ 25,522**	**$ 29,518**	**$ 22,843**	**$ 8,237**	**$ 37,307**	**$ 123,427**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 7,501	$ -	$ 37,380	$ -	$ 65	$ 44,946
Investment income	75	18	89	290	185	657
Fees, licenses & permits	-	-	-	-	38,066	38,066
Refunds & reimbursements	4,554	-	32,819	-	203	37,576
Sales, rents & services	-	-	-	-	3,671	3,671
Miscellaneous	-	-	-	7,802	7,970	15,772
GROSS REVENUES	**12,130**	**18**	**70,288**	**8,092**	**50,160**	**140,688**
Less revenue refunds	937	-	1,568	-	1,767	4,272
NET REVENUES	**11,193**	**18**	**68,720**	**8,092**	**48,393**	**136,416**
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	-	12,700	12,700
Education	16,692	-	62,945	3,514	704	83,855
Health & human rights	-	-	-	-	453	453
Human services	-	-	-	-	162	162
Justice & public defense	-	-	-	-	1,155	1,155
Transportation	-	-	-	-	352	352
Agriculture & natural resources	-	2	-	-	1,684	1,686
Capital outlay:						
Administration & regulation	-	-	-	-	59	59
Education	116	-	-	-	-	116
Health & human rights	-	-	-	-	1	1
Human services	-	-	-	-	8	8
Justice & public defense	-	-	-	-	120	120
Transportation	-	-	-	-	169	169
Agriculture & natural resources	-	-	-	-	1	1
Debt service:						
Principal	-	485	-	-	-	485
Interest	-	1,493	-	-	-	1,493
TOTAL EXPENDITURES	**16,808**	**1,980**	**62,945**	**3,514**	**17,568**	**102,815**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(5,615)**	**(1,962)**	**5,775**	**4,578**	**30,825**	**33,601**
OTHER FINANCING SOURCES (USES)						
Transfers in	7,113	1,454	-	-	810	9,377
Transfers out	(192)	-	(7,110)	(4,709)	(30,953)	(42,964)
TOTAL OTHER FINANCING SOURCES (USES)	**6,921**	**1,454**	**(7,110)**	**(4,709)**	**(30,143)**	**(33,587)**
NET CHANGE IN FUND BALANCES	**1,306**	**(508)**	**(1,335)**	**(131)**	**682**	**14**
FUND BALANCES - JULY 1, RESTATED	**22,761**	**30,026**	**23,643**	**7,167**	**26,924**	**110,521**
FUND BALANCES - JUNE 30	**$ 24,067**	**$ 29,518**	**$ 22,308**	**$ 7,036**	**$ 27,606**	**$ 110,535**


IOWA

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	PRIMARY ROAD FUND				FISH AND GAME TRUST FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 594,200	$ 598,601	$ 642,733	$ 44,132	$ 203	$ 203	$ 1,474	$ 1,271
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette Tax	-	-	-	-	-	-	-	-
Tobacco Products tax	-	-	-	-	-	-	-	-
Liquor Tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	5	5	1	(4)	-	-	-	-
Federal support	275,285	428,621	405,826	(22,795)	11,000	11,000	16,292	5,292
Local governments	4,600	4,600	6,183	1,583	-	-	-	-
Other states	3,000	2,990	24,495	21,505	-	-	-	-
Reimbursements from other agencies	160	159	121	(38)	-	-	-	-
Interest	1	1	1	-	200	200	43	(157)
Bonds & loans	-	11	6,738	6,727	-	-	-	-
Fees, licenses & permits	860	859	1,985	1,126	31,520	31,520	29,871	(1,649)
Refunds & reimbursements	-	-	-	-	200	200	546	346
Sale of real estate	1,710	1,710	1,125	(585)	-	-	-	-
Sale of equipment & salvage	-	-	-	-	20	20	3	(17)
Rents & leases	16	16	21	5	5	5	451	446
Agricultural sales	-	-	-	-	10	10	44	34
Other sales & services	-	-	-	-	502	502	1,306	804
Unearned receipts	-	-	-	-	5	5	162	157
Income tax checkoffs	-	-	-	-	150	150	133	(17)
Other	2,750	2,750	3,437	687	540	540	430	(110)
TOTAL APPROPRIATED RECEIPTS	**288,387**	**441,722**	**449,933**	**8,211**	**44,152**	**44,152**	**49,281**	**5,129**
TOTAL REVENUES AVAILABLE	**882,587**	**1,040,323**	**1,092,666**	**52,343**	**44,355**	**44,355**	**50,755**	**6,400**
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	1,158	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	635,074	693,041	717,412	(24,371) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**635,074**	**693,041**	**717,412**	**(24,371)**	**1,158**	**-**	**-**	**-**
TRANSFERS	**292,106**	**291,030**	**294,535**	**(3,505)**	**45,793**	**46,951**	**55,360**	**(8,409)**
TOTAL EXPENDITURES & TRANSFERS	**927,180**	**984,071**	**1,011,947**	**(27,876)**	**46,951**	**46,951**	**55,360**	**(8,409)**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(44,593)**	**56,252**	**80,719**	**24,467**	**(2,596)**	**(2,596)**	**(4,605)**	**(2,009)**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**331,497**	**335,953**	**335,953**	**-**	**15,629**	**17,338**	**17,338**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 286,904**	**$ 392,205**	**$ 416,672**	**$ 24,467**	**$ 13,033**	**$ 14,742**	**$ 12,733**	**$ (2,009)**

(continued on next page)

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)
(continued)

	REVENUE BONDS CAPITAL FUND				IOWACARE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ -	$ -	$ 3,057	$ 3,057	$ 7,268	$ 7,268	$ 4,480	$ (2,788)
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette Tax	-	-	-	-	-	-	-	-
Tobacco Products tax	-	-	-	-	-	-	-	-
Liquor Tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	-	-	287	287	96,993	96,993	97,300	307
Local governments	-	-	-	-	42,000	42,000	40,000	(2,000)
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Interest	400	312	59	(253)	50	50	34	(16)
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	-	-	141	141	-	-	-	-
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	**400**	**312**	**487**	**175**	**139,043**	**139,043**	**137,334**	**(1,709)**
TOTAL REVENUES AVAILABLE	**400**	**312**	**3,544**	**3,232**	**146,311**	**146,311**	**141,814**	**(4,497)**
EXPENDITURES:								
Administration & regulation	73,585	224,932	151,395	73,537	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	67,000	67,000	59,412	7,588
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**73,585**	**224,932**	**151,395**	**73,537**	**67,000**	**67,000**	**59,412**	**7,588**
TRANSFERS	**4,201**	**11,494**	**7,563**	**3,931**	**91,261**	**103,260**	**91,511**	**11,749**
TOTAL EXPENDITURES & TRANSFERS	**77,786**	**236,426**	**158,958**	**77,468**	**158,261**	**170,260**	**150,923**	**19,337**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(77,386)**	**(236,114)**	**(155,414)**	**80,700**	**(11,950)**	**(23,949)**	**(9,109)**	**14,840**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**5,011**	**262,036**	**262,036**	**-**	**14,490**	**13,613**	**13,613**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ (72,375)**	**$ 25,922**	**$ 106,622**	**$ 80,700**	**$ 2,540**	**$ (10,336)**	**$ 4,504**	**$ 14,840**

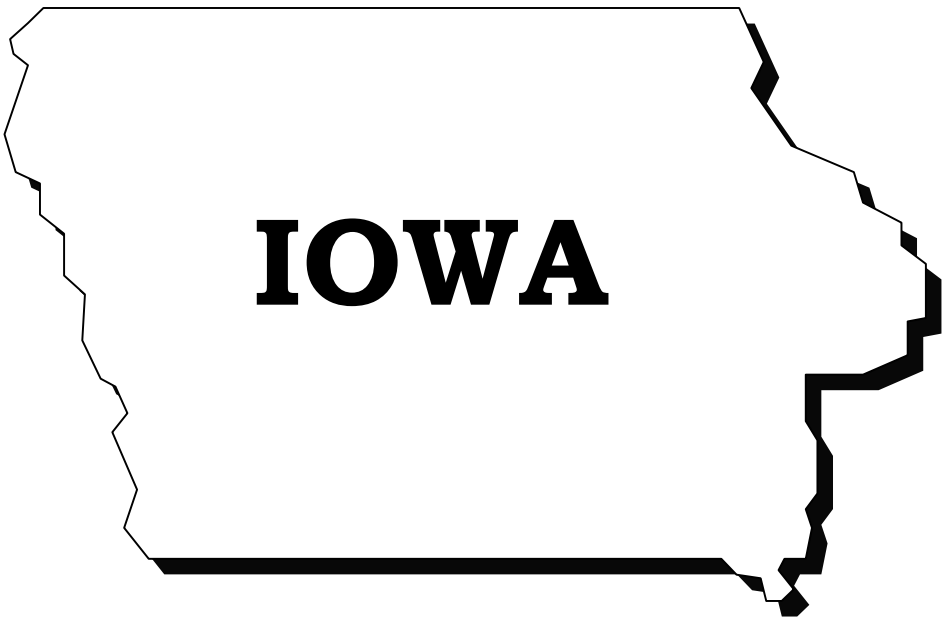
(continued on next page)

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)
(continued)

	OTHER FUNDS				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 222,961	$ 120,053	$ 117,767	$ (2,286)	$ 824,632	$ 726,125	$ 769,511	$ 43,386
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	15	15	25	10	15	15	25	10
Cigarette Tax	-	101,034	95,604	(5,430)	-	101,034	95,604	(5,430)
Tobacco Products tax	-	5,300	10,413	5,113	-	5,300	10,413	5,113
Liquor Tax	200	200	256	56	200	200	256	56
Other taxes	1,168	1,885	2,640	755	1,168	1,885	2,640	755
Wagering tax receipts	5,000	5,000	4,996	(4)	5,000	5,000	4,996	(4)
Individual income tax quarterly	4,000	4,000	4,000	-	4,000	4,000	4,000	-
Sales tax - DOT	-	-	-	-	5	5	1	(4)
Federal support	16,533	14,858	23,429	8,571	399,811	551,472	543,134	(8,338)
Local governments	1,100	1,100	1,230	130	47,700	47,700	47,413	(287)
Other states	-	-	-	-	3,000	2,990	24,495	21,505
Reimbursements from other agencies	2,770	2,770	1,426	(1,344)	2,930	2,929	1,547	(1,382)
Interest	7,350	2,244	1,093	(1,151)	8,001	2,807	1,230	(1,577)
Bonds & loans	8,620	8,615	4,512	(4,103)	8,620	8,626	11,250	2,624
Fees, licenses & permits	83,010	76,337	73,186	(3,151)	115,390	108,716	105,042	(3,674)
Refunds & reimbursements	8,546	11,610	16,604	4,994	8,746	11,810	17,291	5,481
Sale of real estate	-	-	13	13	1,710	1,710	1,138	(572)
Sale of equipment & salvage	-	-	(1)	(1)	20	20	2	(18)
Rents & leases	-	-	-	-	21	21	472	451
Agricultural sales	-	-	-	-	10	10	44	34
Other sales & services	575	575	785	210	1,077	1,077	2,091	1,014
Unearned receipts	306	306	226	(80)	311	311	388	77
Income tax checkoffs	-	-	-	-	150	150	133	(17)
Other	7,726	333	1,442	1,109	11,016	3,623	5,309	1,686
TOTAL APPROPRIATED RECEIPTS	**146,919**	**236,182**	**241,879**	**5,697**	**618,901**	**861,411**	**878,914**	**17,503**
TOTAL REVENUES AVAILABLE	**369,880**	**356,235**	**359,646**	**3,411**	**1,443,533**	**1,587,536**	**1,648,425**	**60,889**
EXPENDITURES:								
Administration & regulation	121,504	161,684	103,255	58,429	195,089	386,616	254,650	131,966
Agriculture & natural resources	21,800	21,800	16,177	5,623	22,958	21,800	16,177	5,623
Economic development	51,420	52,571	24,212	28,359	51,420	52,571	24,212	28,359
Education	20,898	20,898	21,078	(180)	20,898	20,898	21,078	(180) *
Health & human services	6,291	5,413	4,207	1,206	73,291	72,413	63,619	8,794
Transportation	4	4	3,428	(3,424)	635,078	693,045	720,840	(27,795) *
Judicial	2,161	2,161	905	1,256	2,161	2,161	905	1,256
TOTAL EXPENDITURES	**224,078**	**264,531**	**173,262**	**91,269**	**1,000,895**	**1,249,504**	**1,101,481**	**148,023**
TRANSFERS	**285,613**	**282,734**	**267,971**	**14,763**	**718,974**	**735,469**	**716,940**	**18,529**
TOTAL EXPENDITURES & TRANSFERS	**509,691**	**547,265**	**441,233**	**106,032**	**1,719,869**	**1,984,973**	**1,818,421**	**166,552**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(139,811)**	**(191,030)**	**(81,587)**	**109,443**	**(276,336)**	**(397,437)**	**(169,996)**	**227,441**
FUND BALANCES - JULY 1 (BUDGETARY-RESTATED)	**129,739**	**351,436**	**351,436**	**-**	**496,366**	**980,376**	**980,376**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ (10,072)**	**$ 160,406**	**$ 269,849**	**$ 109,443**	**$ 220,030**	**$ 582,939**	**$ 810,380**	**$ 227,441**

* Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of other non-state funds which have been received for restricted purposes. In the Special Revenue Funds this occurred in the Primary Road Fund and State Aviation Fund in the Transportation function; and the Stafford Loan Program in the Education function.


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Capital Projects Funds

Capital Projects Funds are used to account for the construction of major capital facilities other than those financed by proprietary funds and trust funds.

General Services Capitals Fund is used to account for various building projects.

Endowment for Iowa's Health Restricted Capitals Fund receives the tax-exempt portion of the Tobacco Settlement Authority's refunding of the tobacco bonds for capital project expenditures as allowed in the tax certificate of the refinancing.

Marine Fuel Tax Capitals Fund is used to account for the acquisition of water access, development projects, water safety stations, marinas and any other project which improves water recreation.

2009 Prison Bonding Fund received net proceeds from the Prison Infrastructure revenue bonds to be used for prison improvements and prison construction projects.

Other Capital Projects Funds are aggregated for reporting purposes and account for land acquisition and capital projects related to fish and wildlife, construction of various armories, prison expansion programs and other specific projects.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2012
(Expressed in Thousands)

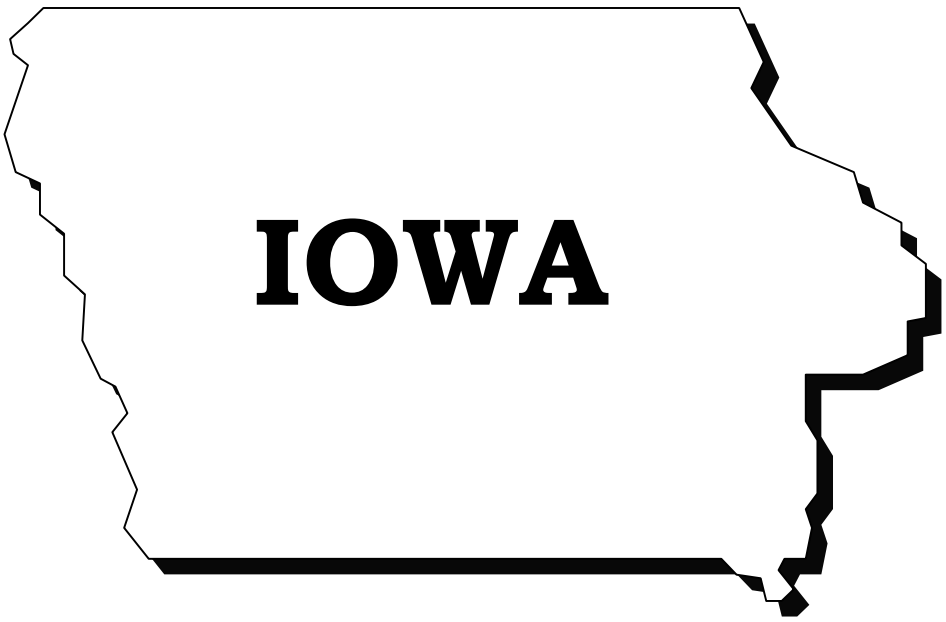
	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 3,696	$ 3,804	$ 7,186	$ 32,799	$ 1,667	$ 49,152
Deposits with trustees	-	-	-	-	85	85
Accounts receivable	-	742	165	-	2	909
Due from other funds	1,423	-	247	275	2,625	4,570
TOTAL ASSETS	**$ 5,119**	**$ 4,546**	**$ 7,598**	**$ 33,074**	**$ 4,379**	**$ 54,716**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 4,057	$ 170	$ 528	$ 9,821	$ 1,666	$ 16,242
Due to other funds	58	65	137	-	45	305
Deferred revenue	-	-	60	-	-	60
TOTAL LIABILITIES	**4,115**	**235**	**725**	**9,821**	**1,711**	**16,607**
FUND BALANCES						
Spendable:						
Restricted	-	4,311	-	23,253	458	28,022
Committed	1,004	-	6,873	-	2,210	10,087
TOTAL FUND BALANCES	**1,004**	**4,311**	**6,873**	**23,253**	**2,668**	**38,109**
TOTAL LIABILITIES & FUND BALANCES	**$ 5,119**	**$ 4,546**	**$ 7,598**	**$ 33,074**	**$ 4,379**	**$ 54,716**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 824	$ 3,874	$ 1,859	$ -	$ 131	$ 6,688
Investment income	-	-	-	(4)	-	(4)
Refunds & reimbursements	-	-	4	-	118	122
Sales, rents & services	-	13	-	-	-	13
TOTAL REVENUES	**824**	**3,887**	**1,863**	**(4)**	**249**	**6,819**
EXPENDITURES						
Current:						
Health & human rights	-	283	-	-	-	283
Agriculture & natural resources	-	36	665	-	7,754	8,455
Capital outlay:						
Administration & regulation	314	118	-	-	143	575
Health & human rights	6,522	1,670	-	-	-	8,192
Human services	704	956	-	-	-	1,660
Justice & public defense	2,100	18	-	68,920	644	71,682
Agriculture & natural resources	-	129	2,915	-	7,626	10,670
Debt service:						
Principal	-	-	-	-	6,780	6,780
Interest	-	-	-	-	1,618	1,618
TOTAL EXPENDITURES	**9,640**	**3,210**	**3,580**	**68,920**	**24,565**	**109,915**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(8,816)**	**677**	**(1,717)**	**(68,924)**	**(24,316)**	**(103,096)**
OTHER FINANCING SOURCES (USES)						
Transfers in	9,041	-	2,907	-	24,638	36,586
Transfers out	-	(4,202)	(413)	-	(1)	(4,616)
TOTAL OTHER FINANCING SOURCES (USES)	**9,041**	**(4,202)**	**2,494**	**-**	**24,637**	**31,970**
NET CHANGE IN FUND BALANCES	**225**	**(3,525)**	**777**	**(68,924)**	**321**	**(71,126)**
FUND BALANCES - JULY 1	**779**	**7,836**	**6,096**	**92,177**	**2,347**	**109,235**
FUND BALANCES - JUNE 30	**$ 1,004**	**$ 4,311**	**$ 6,873**	**$ 23,253**	**$ 2,668**	**$ 38,109**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Permanent Funds

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizens.

Permanent School Principal Fund accounts for the principal derived from the sale of specific land. The interest is to be used for educational purposes.

Iowa Cultural Trust Fund accounts for assets held for the Iowa Cultural Trust. The principal is preserved and applicable interest is transferred to the Cultural Grant Fund to be used for purposes consistent with the Trust.

Iowa Public Television Foundation Endowment is used to hold a restricted gift made to Iowa Pubic Television. While the corpus of the gift is not available to spend, the earnings of the gift are restricted for the acquisition and/or production of quality family programming. Earnings are transferred to the Iowa Public Television Foundation.

Pilot Grove Trust Fund accounts for a $10,000 donation in support and maintenance of the Pilot Grove area. Interest is credited to the Pilot Grove Maintenance Fund, a Special Revenue Fund.

Henry Albert Trust Fund accounts for a bequest to the State of Iowa. Interest is credited to the Department of Public Health.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Permanent Funds

June 30, 2012
(Expressed in Thousands)

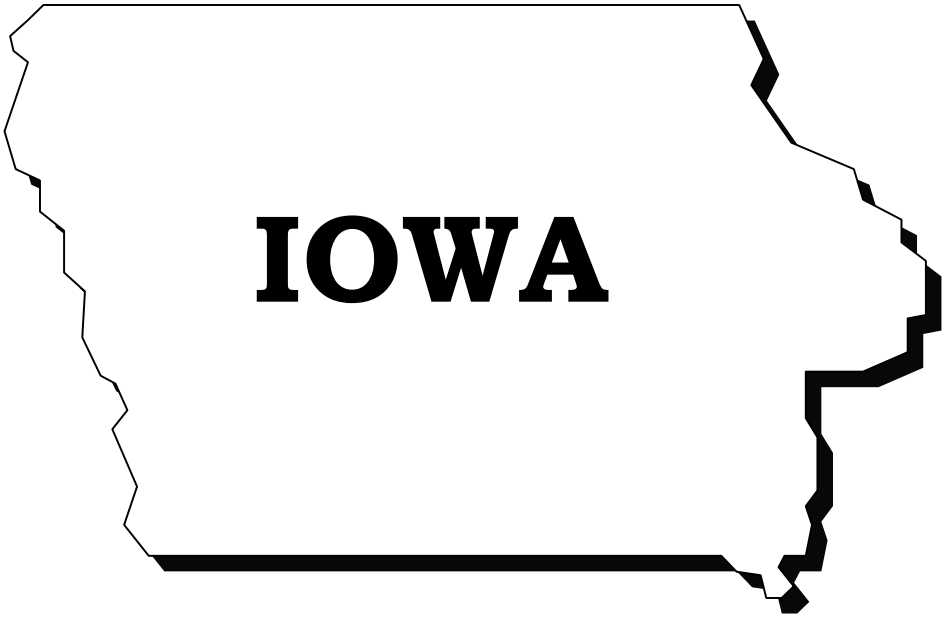
	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 8,032	$ 6,236	$ 1,723	$ 10	$ 1	$ 16,002
TOTAL ASSETS	**$ 8,032**	**$ 6,236**	**$ 1,723**	**$ 10**	**$ 1**	**$ 16,002**
FUND BALANCES						
Nonspendable	8,032	6,236	1,723	10	1	16,002
TOTAL FUND BALANCES	**$ 8,032**	**$ 6,236**	**$ 1,723**	**$ 10**	**$ 1**	**$ 16,002**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
REVENUES						
Receipts from other entities	$ -	$ 300	$ -	$ -	$ -	$ 300
Investment income	-	-	97	-	-	97
Miscellaneous	-	-	75	-	-	75
TOTAL REVENUES	**-**	**300**	**172**	**-**	**-**	**472**
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	100	-	-	100
Transfers out	-	-	(97)	-	-	(97)
TOTAL OTHER FINANCING SOURCES (USES)	**-**	**-**	**3**	**-**	**-**	**3**
NET CHANGE IN FUND BALANCES	**-**	**300**	**175**	**-**	**-**	**475**
FUND BALANCES - JULY 1	**8,032**	**5,936**	**1,548**	**10**	**1**	**15,527**
FUND BALANCES - JUNE 30	**$ 8,032**	**$ 6,236**	**$ 1,723**	**$ 10**	**$ 1**	**$ 16,002**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

Enterprise Funds account for activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

Iowa Communications Network accounts for a statewide telecommunications system and its related revenues and expenses.

Honey Creek Park is used to account for development of the destination park and park operations.

Liquor Control Act is used to account for the revenues and expenses related to the sale of alcoholic beverages.

Iowa State Prison Industries accounts for the revenues and expenses related to the sale of products made by prison industries.

Other Enterprise Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Enterprise Funds.

STATE OF IOWA

Combining Statement of Net Assets
Nonmajor Enterprise Funds

June 30, 2012
(Expressed in Thousands)

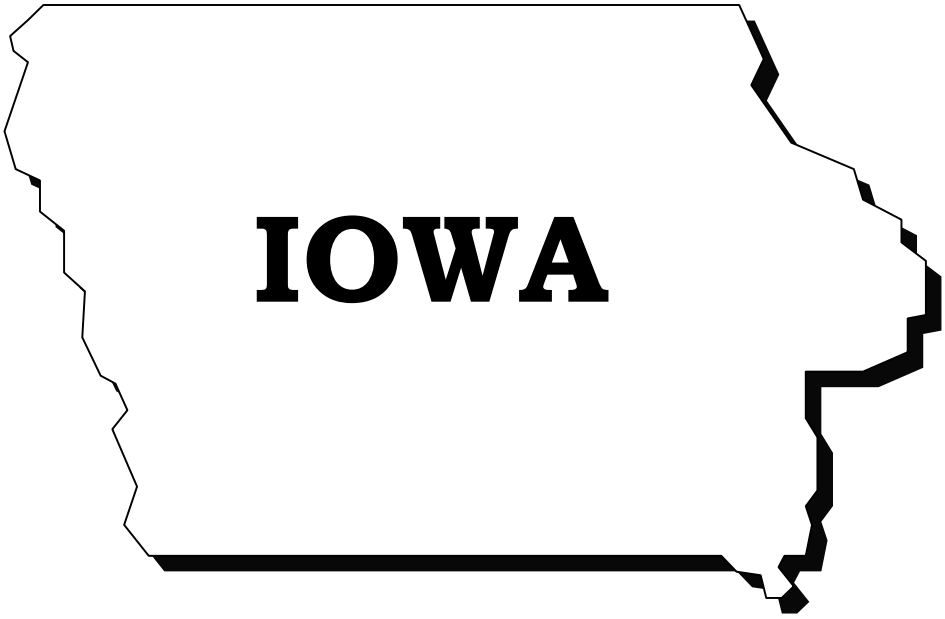
	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 12,012	$ 491	$ 6,176	$ 3,541	$ 2,267	$ 24,487
Accounts receivable (net)	13,030	140	7,081	3,405	271	23,927
Interest receivable	19	-	-	-	-	19
Due from other funds	-	-	3	-	14	17
Inventory	2,636	160	1,613	8,309	1,429	14,147
Prepaid expenses	-	135	5	211	209	560
Total current assets	27,697	926	14,878	15,466	4,190	63,157
Noncurrent assets:						
Capital assets - nondepreciable	84	-	210	223	442	959
Capital assets - depreciable (net)	21,208	51,253	16	4,811	1,234	78,522
Prepaid expenses	566	-	-	-	-	566
Total noncurrent assets	21,858	51,253	226	5,034	1,676	80,047
TOTAL ASSETS	**49,555**	**52,179**	**15,104**	**20,500**	**5,866**	**143,204**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	5,817	541	10,375	1,133	173	18,039
Due to other funds/advances from other funds	-	565	1,484	-	137	2,186
Unearned revenue	278	575	-	7	100	960
Compensated absences	816	-	192	594	190	1,792
Total current liabilities	6,911	1,681	12,051	1,734	600	22,977
Noncurrent liabilities:						
Accounts payable & accruals	432	-	248	840	130	1,650
Due to other funds/advances from other funds	-	26,580	-	-	-	26,580
Unearned revenue	2,664	-	-	-	-	2,664
Compensated absences	600	-	62	1,076	259	1,997
Total noncurrent liabilities	3,696	26,580	310	1,916	389	32,891
TOTAL LIABILITIES	**10,607**	**28,261**	**12,361**	**3,650**	**989**	**55,868**
NET ASSETS						
Invested in capital assets, net of related debt	21,292	51,253	226	5,034	1,676	79,481
Unrestricted	17,656	(27,335)	2,517	11,816	3,201	7,855
TOTAL NET ASSETS	**$ 38,948**	**$ 23,918**	**$ 2,743**	**$ 16,850**	**$ 4,877**	**$ 87,336**

STATE OF IOWA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

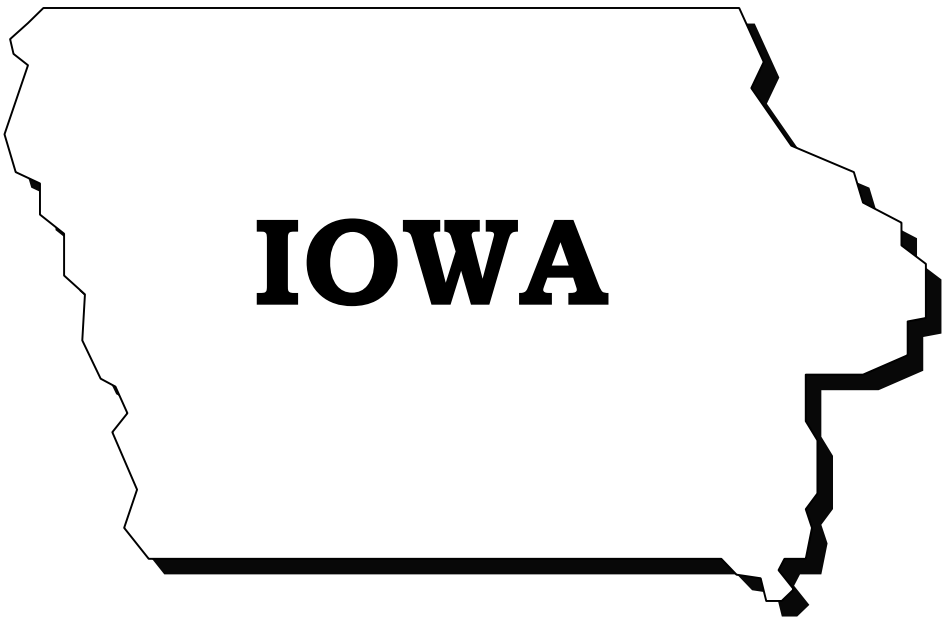
For the Year Ended June 30, 2012
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Fees, licenses & permits	$ -	$ -	$ 15,648	$ -	$ 2,750	$ 18,398
Refunds & reimbursements	-	-	578	-	123	701
Sales, rents & services	31,662	5,912	242,248	23,475	848	304,145
Miscellaneous	-	-	1,849	-	606	2,455
TOTAL OPERATING REVENUES	**31,662**	**5,912**	**260,323**	**23,475**	**4,327**	**325,699**
OPERATING EXPENSES						
General & administrative	11,510	1,478	-	19	-	13,007
Depreciation	6,043	1,700	52	546	232	8,573
Direct & other	10,489	-	-	16,668	-	27,157
Personal services	-	-	3,950	1,870	2,516	8,336
Travel & subsistence	-	-	602	24	50	676
Supplies & materials	-	-	202	77	170	449
Contractual services	-	4,247	2,735	1,888	859	9,729
Equipment & repairs	-	-	93	4	172	269
Claims & miscellaneous	13,446	38	159,652	775	51	173,962
Licenses, permits & refunds	-	-	835	-	8	843
State aid & credits	-	-	3,648	-	-	3,648
TOTAL OPERATING EXPENSES	**41,488**	**7,463**	**171,769**	**21,871**	**4,058**	**246,649**
OPERATING INCOME (LOSS)	**(9,826)**	**(1,551)**	**88,554**	**1,604**	**269**	**79,050**
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	7,031	-	-	7,031
Investment income	59	1	-	18	6	84
Gain on sale of capital assets	-	-	-	36	21	57
NET NONOPERATING REVENUES	**59**	**1**	**7,031**	**54**	**27**	**7,172**
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	**(9,767)**	**(1,550)**	**95,585**	**1,658**	**296**	**86,222**
Capital contributions & grants	9,284	3,122	-	-	-	12,406
Transfers in	2,248	-	-	-	-	2,248
Transfers out	-	(1,453)	(96,842)	-	-	(98,295)
CHANGE IN NET ASSETS	**1,765**	**119**	**(1,257)**	**1,658**	**296**	**2,581**
TOTAL NET ASSETS - July 1	**37,183**	**23,799**	**4,000**	**15,192**	**4,581**	**84,755**
TOTAL NET ASSETS - JUNE 30	**$ 38,948**	**$ 23,918**	**$ 2,743**	**$ 16,850**	**$ 4,877**	**$ 87,336**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 38,802	$ 5,933	$ 262,235	$ 22,624	$ 3,951	$ 333,545
Cash received from miscellaneous	-	-	2,427	-	606	3,033
Cash payments to suppliers for goods & services	(27,811)	(6,381)	(167,206)	(19,938)	(1,863)	(223,199)
Cash payments to employees for services	(8,419)	-	(3,889)	(1,846)	(2,470)	(16,624)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**2,572**	**(448)**	**93,567**	**840**	**224**	**96,755**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	2,248	-	-	-	-	2,248
Transfers out to other funds	-	(1,453)	(95,937)	-	-	(97,390)
Tax receipts	-	-	7,031	-	-	7,031
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**2,248**	**(1,453)**	**(88,906)**	**-**	**-**	**(88,111)**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(10,620)	1,978	-	(598)	(287)	(9,527)
Capital grants & conributions	9,284	-	-	-	-	9,284
Proceeds from sale of capital assets	-	-	-	36	21	57
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	**(1,336)**	**1,978**	**-**	**(562)**	**(266)**	**(186)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	45	1	-	18	6	70
NET CASH PROVIDED BY INVESTING ACTIVITIES	**45**	**1**	**-**	**18**	**6**	**70**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**3,529**	**78**	**4,661**	**296**	**(36)**	**8,528**
CASH & CASH EQUIVALENTS - JULY 1	**8,483**	**413**	**1,515**	**3,245**	**2,303**	**15,959**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 12,012**	**$ 491**	**$ 6,176**	**$ 3,541**	**$ 2,267**	**$ 24,487**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ (9,826)	$ (1,551)	$ 88,554	$ 1,604	$ 269	$ 79,050
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	6,043	1,700	52	546	232	8,573
(Increase) decrease in accounts receivable	7,058	(47)	4,342	(856)	177	10,674
(Increase) decrease in due from	-	-	(3)	-	3	-
(Increase) decrease in inventory	(976)	20	(870)	(354)	(408)	(2,588)
(Increase) decrease in prepaid expenses	(166)	(14)	(5)	(203)	(41)	(429)
Increase (decrease) in accounts payable	283	(139)	1,436	55	33	1,668
Increase (decrease) in due to	-	(485)	-	-	(137)	(622)
Increase (decrease) in unearned revenue	82	68	-	5	50	205
Increase (decrease) in compensated absences	74	-	61	43	46	224
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 2,572**	**$ (448)**	**$ 93,567**	**$ 840**	**$ 224**	**$ 96,755**
NONCASH CAPITAL & RELATED FINANCING ACTIVITIES						
Capital assets contributed	$ -	$ 3,122	$ -	$ -	$ -	$ 3,122


IOWA

COMBINING FINANCIAL STATEMENTS

Internal Service Funds

Internal Service Funds account for State activities that provide goods and services to other State departments or agencies on a cost reimbursement basis.

Workers' Compensation Fund receives funds associated with the workers' compensation program to pay claims and administrative support costs.

Materials & Equipment Revolving Fund accounts for the purchase, repair, maintenance and replacement of equipment, machinery and supplies used by the Department of Transportation.

Depreciation Revolving Fund receives monthly depreciation payments from State departments owning vehicles. The money is used to purchase replacement vehicles for the departments.

Information Technology Revolving Fund provides data processing services to other State departments or agencies.

Other Internal Service Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Internal Service Funds.

STATE OF IOWA

Combining Statement of Net Assets
Internal Service Funds

June 30, 2012
(Expressed in Thousands)

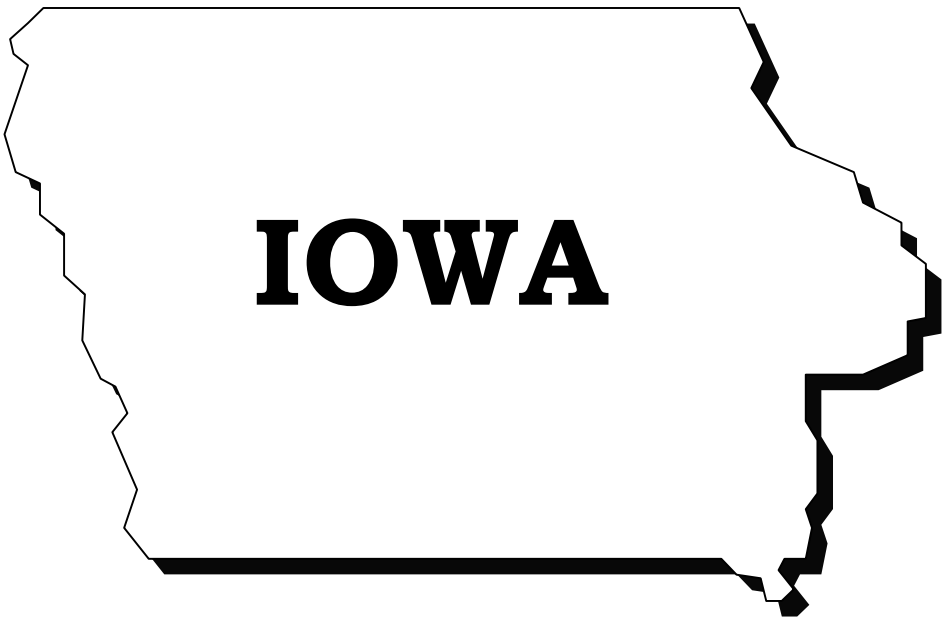
	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 3,191	$ 12,399	$ 17,324	$ 5,966	$ 18,412	$ 57,292
Accounts receivable (net)	40	20	18	37	973	1,088
Due from other funds/advances to other funds	49,136	326	1,870	3,925	12,642	67,899
Inventory	-	5,719	1,383	41	1,538	8,681
Prepaid expenses	-	-	-	1,067	1,576	2,643
Total current assets	52,367	18,464	20,595	11,036	35,141	137,603
Noncurrent assets:						
Capital assets - depreciable (net)	-	92,105	-	1,656	2,997	96,758
TOTAL ASSETS	**52,367**	**110,569**	**20,595**	**12,692**	**38,138**	**234,361**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	16,072	3,155	110	1,632	4,288	25,257
Due to other funds/advances from other funds	33	22	17	1,406	10,569	12,047
Unearned revenue	-	-	19,451	35	-	19,486
Compensated absences	-	444	-	1,042	1,249	2,735
Capital leases	-	-	-	-	117	117
Total current liabilities	16,105	3,621	19,578	4,115	16,223	59,642
Noncurrent liabilities:						
Accounts payable & accruals	36,262	527	-	874	1,713	39,376
Compensated absences	-	913	-	848	1,236	2,997
Capital leases	-	-	-	-	513	513
Total noncurrent liabilities	36,262	1,440	-	1,722	3,462	42,886
TOTAL LIABILITIES	**52,367**	**5,061**	**19,578**	**5,837**	**19,685**	**102,528**
NET ASSETS						
Invested in capital assets, net of related debt	-	92,105	-	1,655	2,998	96,758
Unrestricted	-	13,403	1,017	5,200	15,455	35,075
TOTAL NET ASSETS	**$ -**	**$ 105,508**	**$ 1,017**	**$ 6,855**	**$ 18,453**	**$ 131,833**

STATE OF IOWA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds

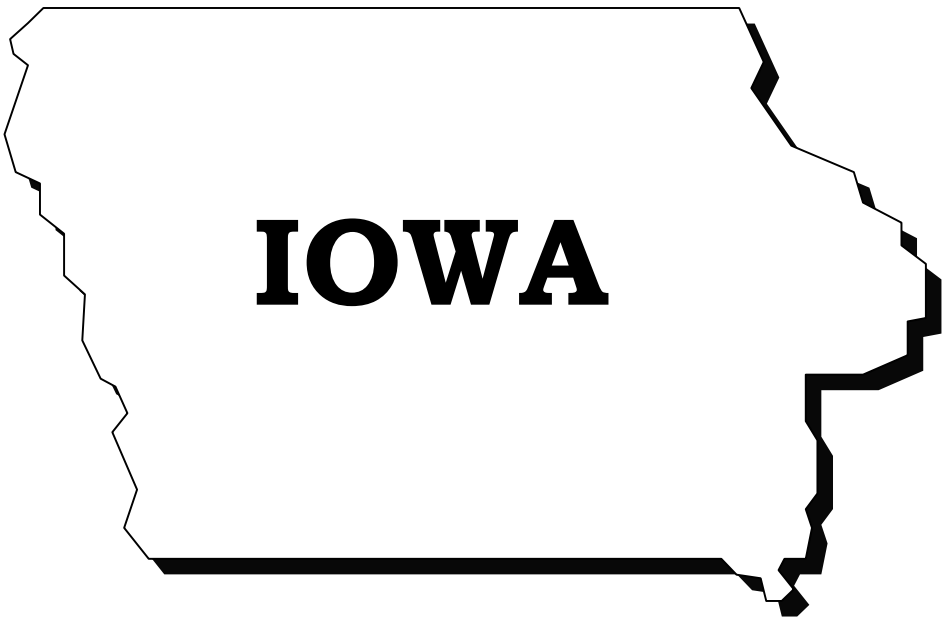
For the Year Ended June 30, 2012
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	$ 25,359	$ 5,964	$ 192	$ 37,084	$ 53,224	$ 121,823
Fees, licenses & permits	-	-	-	3	-	3
Refunds & reimbursements	306	53,653	132	7	2,217	56,315
Sales, rents & services	-	-	1,050	46	109	1,205
Miscellaneous	-	6,590	-	-	142	6,732
TOTAL OPERATING REVENUES	**25,665**	**66,207**	**1,374**	**37,140**	**55,692**	**186,078**
OPERATING EXPENSES						
Depreciation	-	13,359	-	800	724	14,883
Personal services	-	5,395	-	11,189	13,763	30,347
Travel & subsistence	-	12,233	-	42	11,341	23,616
Supplies & materials	-	24,150	-	912	17,062	42,124
Contractual services	2,346	1,926	271	17,913	8,281	30,737
Equipment & repairs	-	4,214	6,135	5,801	2,588	18,738
Claims & miscellaneous	23,319	8	-	128	867	24,322
Licenses, permits & refunds	-	16	5	-	8	29
TOTAL OPERATING EXPENSES	**25,665**	**61,301**	**6,411**	**36,785**	**54,634**	**184,796**
OPERATING INCOME (LOSS)	**-**	**4,906**	**(5,037)**	**355**	**1,058**	**1,282**
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	20	76	96
Gain on sale of capital assets	-	132	-	-	78	210
Loss on sale of capital assets	-	-	-	-	(3)	(3)
NET NONOPERATING REVENUES (EXPENSES)	**-**	**132**	**-**	**20**	**151**	**303**
CHANGE IN NET ASSETS	**-**	**5,038**	**(5,037)**	**375**	**1,209**	**1,585**
TOTAL NET ASSETS - JULY 1	**-**	**100,470**	**6,054**	**6,480**	**17,244**	**130,248**
TOTAL NET ASSETS - JUNE 30	**$ -**	**$ 105,508**	**$ 1,017**	**$ 6,855**	**$ 18,453**	**$ 131,833**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	$ 306	$ 12,646	$ 1,040	$ 31	$ 2,717	$ 16,740
Cash received from reciprocal interfund activity	24,108	53,566	13,216	36,876	54,312	182,078
Cash payments to suppliers for goods & services	(25,040)	(42,056)	(7,694)	(25,629)	(40,231)	(140,650)
Cash payments to employees for services	-	(5,163)	-	(11,151)	(13,832)	(30,146)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(626)**	**18,993**	**6,562**	**127**	**2,966**	**28,022**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(19,722)	-	(66)	(722)	(20,510)
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**-**	**(19,722)**	**-**	**(66)**	**(722)**	**(20,510)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	20	76	96
NET CASH PROVIDED BY INVESTING ACTIVITIES	**-**	**-**	**-**	**20**	**76**	**96**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(626)**	**(729)**	**6,562**	**81**	**2,320**	**7,608**
CASH & CASH EQUIVALENTS - JULY 1	**3,817**	**13,128**	**10,762**	**5,885**	**16,092**	**49,684**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 3,191**	**$ 12,399**	**$ 17,324**	**$ 5,966**	**$ 18,412**	**$ 57,292**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ -	$ 4,906	$ (5,037)	$ 355	$ 1,058	$ 1,282
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	13,359	-	800	724	14,883
(Increase) decrease in accounts receivable	42	92	(10)	(25)	249	348
(Increase) decrease in due from	(1,293)	(93)	4,515	(336)	926	3,719
(Increase) decrease in inventory	-	48	(1,383)	6	439	(890)
(Increase) decrease in prepaid expenses	-	-	-	94	(49)	45
Increase (decrease) in accounts payable	625	443	100	(933)	(1,104)	(869)
Increase (decrease) in due to	-	6	(1)	93	162	260
Increase (decrease) in unearned revenue	-	-	8,378	35	-	8,413
Increase (decrease) in compensated absences	-	232	-	38	(69)	201
Increase (decrease) in capital leases	-	-	-	-	630	630
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (626)**	**$ 18,993**	**$ 6,562**	**$ 127**	**$ 2,966**	**$ 28,022**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COMBINING FINANCIAL STATEMENTS

Pension and Other Employee Benefit Funds

Pension Funds account for transactions, assets, liabilities and net assets available for plan benefits of the various State employee retirement systems. See NOTE 15 - PENSION PLANS.

Insurance Fund receives converted sick leave dollars of Department of Public Safety retirees under the Peace Officers contract to pay health and/or life benefits.

SPOC Insurance Fund receives converted sick leave dollars of Department of Natural Resources retirees under the Peace Officers contract to pay health and/or life benefits.

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Funds

June 30, 2012
(Expressed in Thousands)

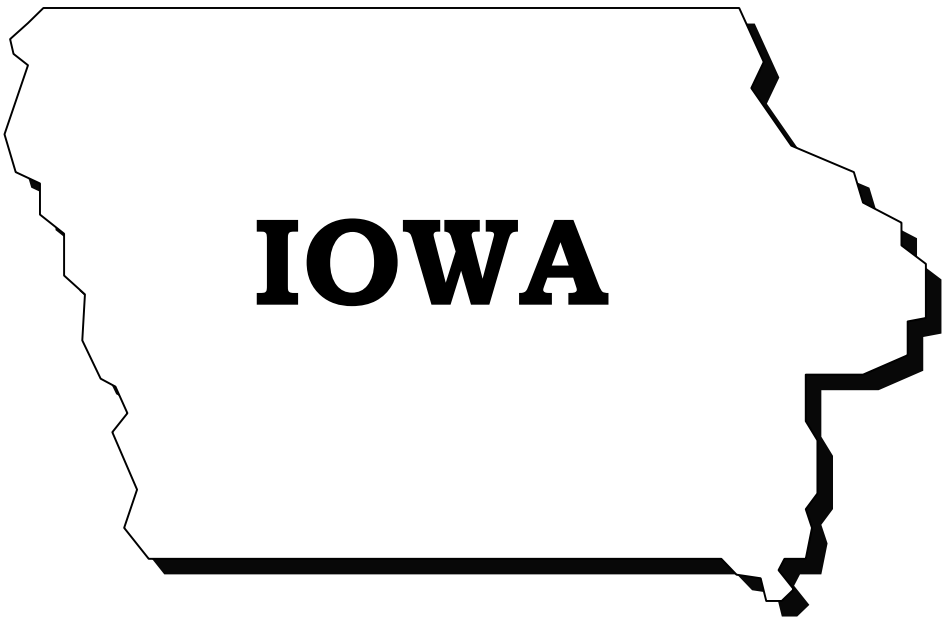
	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	$ 314,437	$ 6,606	$ 6,207	$ 238	$ 2,796	$ 330,284
Receivables:						
Contributions	72,649	950	238	535	182	74,554
Investments sold	415,721	2,606	891	-	-	419,218
Foreign exchange contracts	1,583,977	-	-	-	-	1,583,977
Interest & dividends	66,063	1,028	-	-	-	67,091
Total receivables	2,138,410	4,584	1,129	535	182	2,144,840
Investments, at fair value:						
Fixed income securities	7,828,222	143,130	59,010	-	-	8,030,362
Equity investments	9,225,991	110,980	42,190	-	-	9,379,161
Real estate partnerships	2,058,556	14,022	4,358	-	-	2,076,936
Investment in private equity/ debt	2,870,875	-	-	-	-	2,870,875
Real assets	1,186,865	-	-	-	-	1,186,865
Securities lending collateral pool	337,759	14,777	2,000	-	-	354,536
Securities on loan with brokers	-	14,702	2,001	-	-	16,703
Total investments	23,508,268	297,611	109,559	-	-	23,915,438
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	25,120	-	-	-	-	25,120
Total capital assets	25,620	-	-	-	-	25,620
Other assets	1,665	-	-	-	-	1,665
TOTAL ASSETS	**25,988,400**	**308,801**	**116,895**	**773**	**2,978**	**26,417,847**
LIABILITIES						
Accounts payable & accruals	1,615,891	276	144	-	-	1,616,311
Payable for investments purchased	777,042	925	3,526	-	-	781,493
Payable to brokers for rebate & collateral	351,926	14,777	2,000	-	-	368,703
TOTAL LIABILITIES	**2,744,859**	**15,978**	**5,670**	**-**	**-**	**2,766,507**
NET ASSETS						
Held in trust for pension/other postemployment benefits	$ 23,243,541	$ 292,823	$ 111,225	$ 773	$ 2,978	$ 23,651,340

STATE OF IOWA

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ADDITIONS						
Contributions:						
Member contributions	$ 366,377	$ 4,330	$ 2,510	$ 892	$ 371	$ 374,480
Employer contributions	558,405	10,741	8,216	-	-	577,362
Buy-back/buy-in contributions	17,612	-	-	-	-	17,612
Total contributions	942,394	15,071	10,726	892	371	969,454
Investment income:						
Net increase in fair value of investments	388,469	(17,324)	(3,980)	-	-	367,165
Interest	261,206	8,839	1,474	1	-	271,520
Dividends	110,060	2,698	1,056	-	-	113,814
Other	112,400	-	-	-	-	112,400
Total investment income (loss)	872,135	(5,787)	(1,450)	1	-	864,899
Less investment expense	48,152	1,527	395	-	-	50,074
Net investment income (loss)	823,983	(7,314)	(1,845)	1	-	814,825
Miscellaneous non-investment income	500	-	-	-	-	500
TOTAL ADDITIONS	**1,766,877**	**7,757**	**8,881**	**893**	**371**	**1,784,779**
DEDUCTIONS						
Pension & annuity benefits	1,549,177	23,338	9,218	-	-	1,581,733
Payments in accordance with agreements	-	-	-	771	467	1,238
Administrative expense	12,963	204	10	-	-	13,177
Refunds	43,328	-	-	-	-	43,328
TOTAL DEDUCTIONS	**1,605,468**	**23,542**	**9,228**	**771**	**467**	**1,639,476**
CHANGE IN NET ASSETS	**161,409**	**(15,785)**	**(347)**	**122**	**(96)**	**145,303**
NET ASSETS - JULY 1	**23,082,132**	**308,608**	**111,572**	**651**	**3,074**	**23,506,037**
NET ASSETS - JUNE 30	**$ 23,243,541**	**$ 292,823**	**$ 111,225**	**$ 773**	**$ 2,978**	**$ 23,651,340**


IOWA

COMBINING FINANCIAL STATEMENTS

Private Purpose Trust Funds

Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Iowa Educational Savings Plan Trust receives contributions from participants for investment for future application towards payment of higher education costs for designated beneficiaries.

Iowa Veterans Trust Fund accounts for assets held for the benefit of veterans. The principal is maintained and the applicable interest is transferred to the Veterans Affairs Commission to be used for purposes consistent with the Trust. New legislation amended the fund to allow a portion of the principal to be transferred out of the fund to establish the Iowa Veterans Cemetery.

Braille & Sight Saving School Fund receives donations and contributions to be spent for the benefit of the students.

Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund accounts for receipts that are set aside for a scholarship program for students who were in the 7th grade in 2009.

Other Private Purpose Trust Funds aggregates the Health Organization Insolvency Fund that received a nonrefundable remittance to cover administration costs if a Health Maintenance Organization (HMO) or Limited Service Organization (LSO) declares bankruptcy, donations and fund raising receipts for the benefit of veteran residents and the Wagner Award Fund that received a bequest by Ruth Wagner to present an annual recognition to the outstanding soil district commissioner who is 40 years or younger to be presented each year at the annual state conference.

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2012
(Expressed in Thousands)

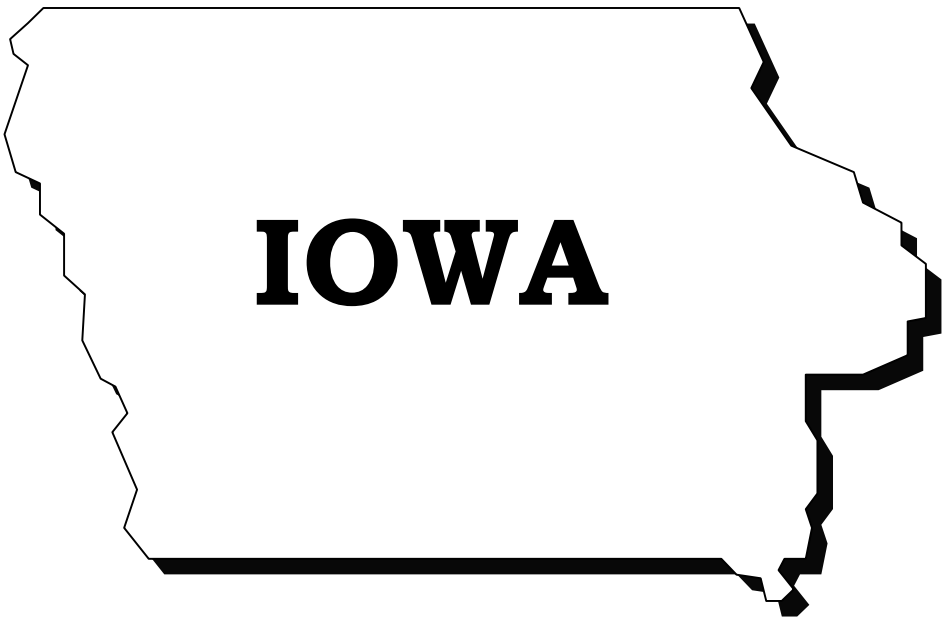
	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 1,410	$ 16,049	$ 640	$ 2,490	$ 734	$ 21,323
Accounts receivable (net)	-	494	-	560	-	1,054
Investments	3,019,932	-	-	8,561	-	3,028,493
Capital assets - depreciable (net)	12	-	-	-	61	73
Prepaid expenses	9	-	-	-	-	9
Inventory	-	-	-	-	14	14
TOTAL ASSETS	**3,021,363**	**16,543**	**640**	**11,611**	**809**	**3,050,966**
LIABILITIES						
Accounts payable & accruals	29	82	-	-	32	143
NET ASSETS						
Held in trust for other purposes	$ 3,021,334	$ 16,461	$ 640	$ 11,611	$ 777	$ 3,050,823

STATE OF IOWA

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	$ 316,347	$ -	$ -	$ -	$ 49	$ 316,396
Other contributions	704	-	-	2,800	10	3,514
Gifts, bequests & endowments	-	3,049	-	-	190	3,239
Total contributions	317,051	3,049	-	2,800	249	323,149
Investment income (loss):						
Net increase (decrease) in fair value of investments	57,453	-	(26)	162	-	57,589
Interest	1	57	29	76	3	166
Total investment income	57,454	57	3	238	3	57,755
TOTAL ADDITIONS	**374,505**	**3,106**	**3**	**3,038**	**252**	**380,904**
DEDUCTIONS						
Distributions to participants	197,511	-	-	-	-	197,511
Other	523	497	30	3	231	1,284
TOTAL DEDUCTIONS	**198,034**	**497**	**30**	**3**	**231**	**198,795**
CHANGE IN NET ASSETS	**176,471**	**2,609**	**(27)**	**3,035**	**21**	**182,109**
NET ASSETS - JULY 1	**2,844,863**	**13,852**	**667**	**8,576**	**756**	**2,868,714**
NET ASSETS - JUNE 30	**$ 3,021,334**	**$ 16,461**	**$ 640**	**$ 11,611**	**$ 777**	**$ 3,050,823**


IOWA

COMBINING FINANCIAL STATEMENTS

Agency Funds

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or organizations.

Local Sales & Services Tax Fund is used to account for local option sales taxes collected by retailers and deposited with the State. The taxes are then distributed back to the counties which have jurisdictions imposing local option sales tax.

Centralized Payroll Trustee Fund is used to account for accumulation of all voluntary and discretionary payroll deductions from the centralized payroll process.

Judicial - Clerks of District Court act as a collecting agency for many fees and taxes that are then distributed to the proper local government or recipient.

School District Surtax Clearing Fund collects and distributes surtax to the school districts according to the surtax formula set by the districts.

Other Agency Funds are aggregated for reporting purposes and represent amounts held for inmates and residents of State institutions, miscellaneous clearing accounts and other deposits.

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2012
(Expressed in Thousands)

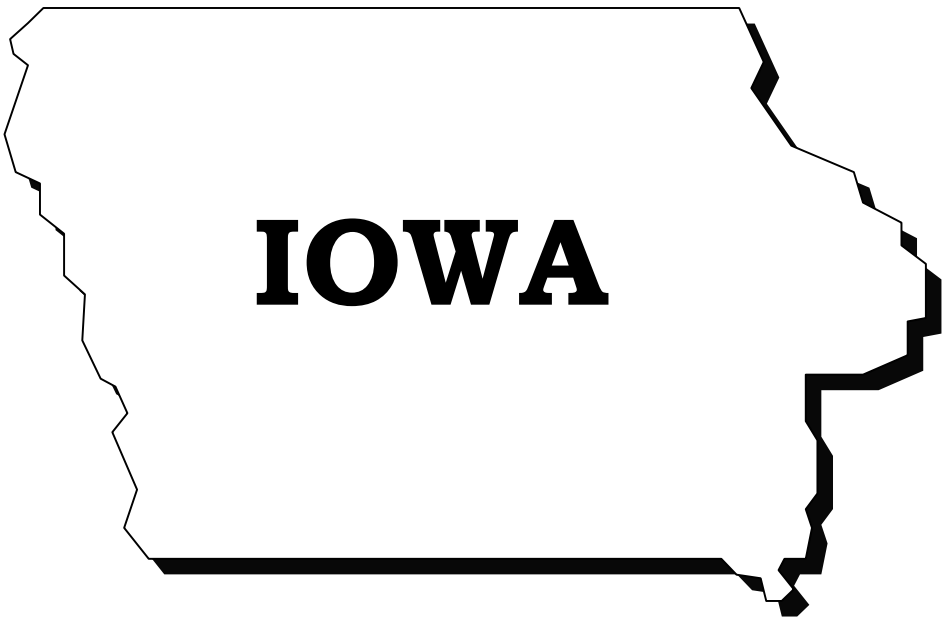
	LOCAL SALES & SERVICES TAX FUND	CENTRALIZED PAYROLL TRUSTEE FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 21,790	$ 21,202	$ 25,347	$ 94,253	$ 55,636	$ 218,228
Accounts receivable (net)	122,215	1,424	-	5,155	64,363	193,157
TOTAL ASSETS	**$ 144,005**	**$ 22,626**	**$ 25,347**	**$ 99,408**	**$ 119,999**	**$ 411,385**
LIABILITIES						
Accounts payable & accruals	$ 144,005	$ 22,626	$ 25,347	$ 99,408	$ 119,999	$ 411,385
TOTAL LIABILITIES	**$ 144,005**	**$ 22,626**	**$ 25,347**	**$ 99,408**	**$ 119,999**	**$ 411,385**

STATE OF IOWA

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2012
(Expressed in Thousands)

	BEGINNING BALANCE, RESTATED	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	$ 20,014	$ 737,358	$ 735,582	$ 21,790
Accounts receivable	118,266	122,215	118,266	122,215
TOTAL ASSETS	$ 138,280	$ 859,573	$ 853,848	$ 144,005
LIABILITIES				
Accounts payable & accruals	$ 138,280	$ 859,573	$ 853,848	$ 144,005
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	$ 19,192	$ 801,596	$ 799,586	$ 21,202
Accounts receivable	1,427	1,424	1,427	1,424
TOTAL ASSETS	$ 20,619	$ 803,020	$ 801,013	$ 22,626
LIABILITIES				
Accounts payable & accruals	$ 20,619	$ 803,020	$ 801,013	$ 22,626
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	$ 21,471	$ 290,893	$ 287,017	$ 25,347
LIABILITIES				
Accounts payable & accruals	$ 21,471	$ 290,893	$ 287,017	$ 25,347
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	$ 87,732	$ 103,448	$ 96,927	$ 94,253
Accounts receivable	5,642	5,155	5,642	5,155
TOTAL ASSETS	$ 93,374	$ 108,603	$ 102,569	$ 99,408
LIABILITIES				
Accounts payable & accruals	$ 93,374	$ 108,603	$ 102,569	$ 99,408
OTHER FUNDS				
ASSETS				
Cash	$ 62,064	$ 1,286,278	$ 1,292,706	$ 55,636
Accounts receivable	57,509	64,363	57,509	64,363
TOTAL ASSETS	$ 119,573	$ 1,350,641	$ 1,350,215	$ 119,999
LIABILITIES				
Accounts payable & accruals	$ 119,573	$ 1,350,641	$ 1,350,215	$ 119,999
TOTAL				
ASSETS				
Cash	$ 210,473	$ 3,219,573	$ 3,211,818	$ 218,228
Accounts receivable	182,844	193,157	182,844	193,157
TOTAL ASSETS	$ 393,317	$ 3,412,730	$ 3,394,662	$ 411,385
LIABILITIES				
Accounts payable & accruals	$ 393,317	$ 3,412,730	$ 3,394,662	$ 411,385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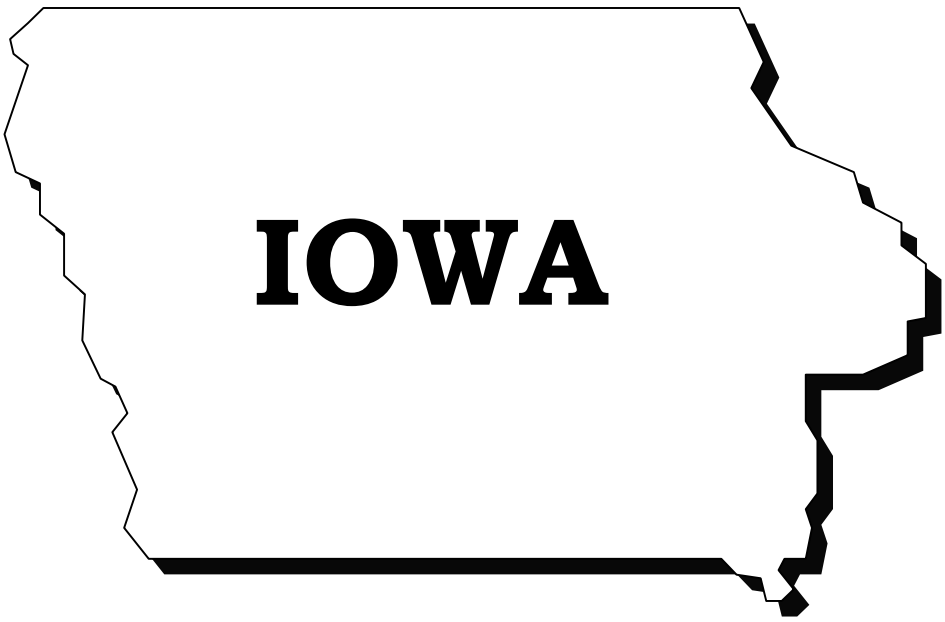
STATISTICAL SECTION


IOWA

STATE OF IOWA

STATISTICAL SECTION
TABLE OF CONTENTS

This part of the State of Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

	Schedule
Financial Trends These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	**1 - 4**
Revenue Capacity These schedules contain information to help the reader assess the State's most significant revenue source, individual income tax.	**5 - 7**
Debt Capacity These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	**8 - 9**
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	**10 - 11**
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs. A schedule of current expenditures is also included.	**12 - 15**

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The State of Iowa implemented GASB Statement 34 in 2002 and began presenting government-wide information that year.

STATE OF IOWA
Net Assets by Component **Schedule 1**
For the Last Ten Fiscal Years
(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2003 [1]	2004	2005	2006	2007	2008 [2]	2009 [3]	2010 [4]	2011 [5]	2012
Governmental activities										
Invested in capital assets, net of related debt	$ 5,370,928	$ 5,465,035	$ 5,681,408	$ 5,878,568	$ 6,071,498	$ 6,193,796	$ 6,489,500	$ 6,880,376	$ 7,042,318	$ 7,297,964
Restricted	1,373,913	1,382,417	1,209,109	1,190,851	954,614	1,096,738	981,399	1,190,535	1,217,229	1,066,451
Unrestricted	(257,172)	(52,741)	133,884	282,317	612,506	490,372	145,222	(86,726)	(226,038)	90,401
Total governmental activities net assets	$ 6,487,669	$ 6,794,711	$ 7,024,401	$ 7,351,736	$ 7,638,618	$ 7,780,906	$ 7,616,121	$ 7,984,185	$ 8,033,509	$ 8,454,816
Business-type activities										
Invested in capital assets, net of related debt	$ 1,528,930	$ 1,621,420	$ 1,783,485	$ 1,874,011	$ 1,962,371	$ 1,997,070	$ 2,234,564	$ 2,268,065	$ 2,364,752	$ 2,532,774
Restricted	1,123,665	1,181,164	1,221,333	1,353,063	1,377,602	1,490,766	1,286,727	991,124	1,127,606	1,354,957
Unrestricted	804,879	748,682	761,180	785,313	965,010	1,073,688	968,103	1,347,744	1,593,616	1,687,310
Total business-type activities net assets	$ 3,457,474	$ 3,551,266	$ 3,765,998	$ 4,012,387	$ 4,304,983	$ 4,561,524	$ 4,489,394	$ 4,606,933	$ 5,085,974	$ 5,575,041
Primary government										
Invested in capital assets, net of related debt	$ 6,899,858	$ 7,086,455	$ 7,464,893	$ 7,752,579	$ 8,033,869	$ 8,190,866	$ 8,724,064	$ 9,148,441	$ 9,407,070	$ 9,830,738
Restricted	2,497,578	2,563,581	2,430,442	2,543,914	2,332,216	2,587,504	2,268,126	2,181,659	2,344,835	2,421,408
Unrestricted	547,707	695,941	895,064	1,067,630	1,577,516	1,564,060	1,113,325	1,261,018	1,367,578	1,777,711
Total primary government net assets	$ 9,945,143	$ 10,345,977	$ 10,790,399	$ 11,364,123	$ 11,943,601	$ 12,342,430	$ 12,105,515	$ 12,591,118	$ 13,119,483	$ 14,029,857

(1) - Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental activity of $560,865 and implementation of GASB Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues of $21,084.

(2) - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling $9.9 million.

(3) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of implementation of GASB No. 51 for intangible assets and reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(4) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(5) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

STATE OF IOWA

Changes in Net Assets **Schedule 2**

For the Last Ten Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2003 [1]	2004	2005 [2]	2006	2007	2008 [3]	2009 [4]	2010 [5]	2011 [6]	2012
Expenses										
Governmental activities:										
Administration & regulation	$ 1,180,426	$ 972,615	$ 903,378	$ 924,171	$ 881,865	$ 900,181	$ 1,259,465	$ 1,289,713	$ 1,383,161	$ 1,411,797
Education	2,628,698	2,650,631	2,796,158	2,948,579	3,071,601	3,352,331	3,502,472	3,447,890	3,601,899	3,551,294
State aid to universities	681,288	635,488	-	-	-	-	-	-	-	-
Heath & human rights	306,181	317,842	337,542	367,579	368,342	405,459	450,955	488,380	458,702	423,202
Human services	3,396,213	3,429,548	3,633,297	3,927,888	3,882,041	4,283,160	4,651,972	4,953,873	5,182,496	5,466,172
Justice & public defense	631,182	663,134	693,606	756,968	822,676	945,438	1,209,839	1,178,089	1,098,041	1,082,774
Economic development	184,647	202,133	208,720	223,153	227,266	234,579	329,936	351,635	273,377	254,902
Transportation	819,532	906,054	918,557	930,333	954,278	959,598	1,084,299	1,239,669	1,139,321	1,206,924
Agriculture & natural resources	147,874	155,220	167,101	180,539	193,327	220,995	210,984	212,590	217,783	214,526
Interest expense	20,232	19,123	52,241	77,392	74,053	73,065	62,387	91,432	101,867	101,849
Total governmental activities expenses	9,996,273	9,951,788	9,710,600	10,336,602	10,475,449	11,374,806	12,762,309	13,253,271	13,456,647	13,713,440
Business-type activities:										
University Funds	2,424,292	2,643,969	2,656,318	2,850,291	2,942,220	3,155,027	3,401,126	3,341,877	3,465,390	3,842,314
Unemployment Benefits Fund	445,045	389,858	299,086	304,143	342,499	356,261	872,030	1,258,041	928,379	718,611
Other	291,407	310,538	326,060	432,037	363,508	391,077	396,668	213,185	222,239	246,673
Total business-type activities expenses	3,160,744	3,344,365	3,281,464	3,586,471	3,648,227	3,902,365	4,669,824	4,813,103	4,616,008	4,807,598
Total primary government expenses	$ 13,157,017	$ 13,296,153	$ 12,992,064	$ 13,923,073	$ 14,123,676	$ 15,277,171	$ 17,432,133	$ 18,066,374	$ 18,072,655	$ 18,521,038
Program revenues										
Governmental activities:										
Charges for services:										
Administration & regulation	$ 772,439	$ 749,752	$ 698,923	$ 804,217	$ 765,932	$ 808,206	$ 1,069,214	$ 957,591	$ 1,063,106	$ 1,060,902
Education	35,511	26,038	26,118	23,117	39,402	47,201	45,794	54,219	61,920	52,686
Health & human rights	40,081	32,242	38,885	45,324	55,086	83,700	71,849	60,885	70,702	66,922
Human services	558,878	410,310	387,762	418,391	448,255	417,733	437,131	465,890	575,377	666,496
Justice & public defense	166,452	23,811	72,045	83,256	60,529	177,293	83,868	102,600	110,215	104,969
Economic development	3,153	1,121	3	2,715	2,519	7,125	5,012	3,423	13,795	3,672
Transportation	382	19,279	19,833	13,922	30,106	17,695	84,511	84,291	76,404	93,908
Agriculture & natural resources	68,464	60,744	65,227	60,128	78,306	72,564	78,697	86,086	74,295	84,912
Operating grants & contributions	3,195,989	3,314,471	3,391,654	3,699,313	3,247,773	3,471,494	4,345,320	5,309,310	4,921,994	4,489,138
Capital grants & contributions	6,463	4,287	5,316	4,245	283,759	230,585	385,478	590,926	420,006	494,715
Total governmental activities program revenues	4,847,812	4,642,055	4,705,766	5,154,628	5,011,667	5,333,596	6,606,874	7,715,221	7,387,814	7,118,320
Business-type activities:										
Charges for services:										
University Funds	1,449,643	1,583,183	1,642,343	1,786,355	1,690,465	1,800,897	1,993,932	2,064,853	2,223,527	2,590,308
Unemployment Benefits Fund	337,634	304,396	318,607	348,246	352,067	368,202	358,198	474,465	619,455	643,970
Other	359,935	404,595	425,261	567,966	478,850	506,995	521,913	284,931	297,750	325,699
Operating grants & contributions	349,072	427,616	448,517	458,271	633,957	670,859	987,715	1,333,041	1,200,118	1,044,159
Capital grants & contributions	57,801	58,026	28,912	18,039	30,943	35,225	45,432	8,801	36,197	61,339
Total business-type activities program revenues	2,554,085	2,777,816	2,863,640	3,178,877	3,186,282	3,382,178	3,907,190	4,166,091	4,377,047	4,665,475
Total primary government program revenues	$ 7,401,897	$ 7,419,871	$ 7,569,406	$ 8,333,505	$ 8,197,949	$ 8,715,774	$ 10,514,064	$ 11,881,312	$ 11,764,861	$ 11,783,795
Net expense										
Governmental activities	$ (5,148,461)	$ (5,309,733)	$ (5,004,834)	$ (5,181,974)	$ (5,463,782)	$ (6,041,210)	$ (6,155,435)	$ (5,538,050)	$ (6,068,833)	$ (6,595,120)
Business-type activities	(606,659)	(566,549)	(417,824)	(407,594)	(461,945)	(520,187)	(762,634)	(647,012)	(238,961)	(142,123)
Total primary government net expense	$ (5,755,120)	$ (5,876,282)	$ (5,422,658)	$ (5,589,568)	$ (5,925,727)	$ (6,561,397)	$ (6,918,069)	$ (6,185,062)	$ (6,307,794)	$ (6,737,243)

(continued on next page)

STATE OF IOWA

Changes in Net Assets **Schedule 2**

For the Last Ten Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

(continued)

	Fiscal Year									
	2003 [1]	2004	2005 [2]	2006	2007	2008 [3]	2009 [4]	2010 [5]	2011 [6]	2012
General revenues and other changes in net assets										
Governmental activities:										
Personal income tax	$ 1,922,316	$ 2,090,712	$ 2,263,561	$ 2,430,981	$ 2,673,861	$ 2,866,774	$ 2,716,655	$ 2,637,753	$ 2,856,474	$ 3,040,391
Corporate income tax	148,214	97,769	176,997	283,112	322,315	347,833	258,115	196,723	254,761	430,395
Sales & use tax	1,635,551	1,688,943	1,761,195	1,866,864	1,878,500	1,966,871	2,094,893	2,232,711	2,336,298	2,454,156
Other tax	563,751	598,165	596,707	592,888	641,206	783,814	743,231	710,946	685,454	756,713
Motor fuel tax restricted for transportation purposes	464,069	435,358	482,194	440,652	446,607	443,997	436,732	436,567	445,580	438,953
Road use tax restricted for transportation purposes	246,238	252,269	252,599	247,125	248,959	257,523	256,554	254,016	281,998	303,368
Unrestricted investment earnings	65,852	62,086	72,166	98,269	146,669	114,987	66,159	25,729	30,696	21,155
Other	140,672	166,328	129,486	29,810	25,807	32,492	30,476	31,571	28,317	27,504
Gain/(loss) on sale of assets	(1,685)	671	972	-	-	571	804	842	51	732
Contribution to Permanent Fund principal	27	12	62	262	55	4,031	-	-	-	-
Extraordinary item - impairment of assets and other	-	-	-	-	-	-	-	-	(4,394)	-
Transfers	112,474	122,096	(501,415)	(480,654)	(549,206)	(598,789)	(612,520)	(612,563)	(503,494)	(456,940)
Special item - gaming tax liability settlement	-	102,366	-	-	-	-	-	-	-	-
Total governmental activities	$ 5,297,479	$ 5,616,775	$ 5,234,524	$ 5,509,309	$ 5,834,773	$ 6,220,104	$ 5,991,099	$ 5,914,295	$ 6,411,741	$ 7,016,427
Business-type activities:										
Other tax	$ 10,258	$ -	$ -	$ 7,300	$ 5,909	$ 6,551	$ 5,688	$ 6,459	$ 6,803	$ 7,031
Unrestricted investment earnings	95,215	88,881	88,036	93,651	159,246	69,378	(25,411)	115,200	154,176	90,891
Other	78,133	58,061	43,102	68,209	40,162	46,919	94,068	50,678	47,610	74,649
Gain/(loss) on sale of assets	(11,264)	7	3	4,169	18	7	75	101	16	688
State aid to universities	681,288	635,488	-	-	-	-	-	-	-	-
Contribution to University Endowments	-	-	-	-	-	-	404	(250)	-	-
Extraordinary item - impairment of assets and other	-	-	-	-	-	55,084	3,160	(15,785)	5,900	991
Transfers	(112,474)	(122,096)	501,415	480,654	549,206	598,789	612,520	612,563	503,494	456,940
Total business-type activities	$ 741,156	$ 660,341	$ 632,556	$ 653,983	$ 754,541	$ 776,728	$ 690,504	$ 768,966	$ 717,999	$ 631,190
Change in net assets										
Governmental activities	$ 149,018	$ 307,042	$ 229,690	$ 327,335	$ 370,991	$ 178,894	$ (164,336)	$ 376,245	$ 342,908	$ 421,307
Business-type activities	134,497	93,792	214,732	246,389	292,596	256,541	(72,130)	121,954	479,038	489,067
Total primary government	$ 283,515	$ 400,834	$ 444,422	$ 573,724	$ 663,587	$ 435,435	$ (236,466)	$ 498,199	$ 821,946	$ 910,374

(1) - Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental activity and implementation of GASB Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues.

(2) - Beginning in Fiscal Year 2005, state aid to universities is classified as transfers.

(3) - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling $9.9 million.

(4) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of the implementation of GASB No. 51 for intangible assets and reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(5) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(6) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

STATE OF IOWA
Fund Balances of Governmental Funds **Schedule 3**

For the Last Ten Fiscal Years
(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2003 [1]	2004	2005	2006	2007	2008	2009 [3]	2010 [4]	2011 [5]	2012
General Fund										
Reserved	$ 1,478,105	$ 1,431,087	$ 1,364,588	$ 1,202,023	$ 1,000,811	$ 1,178,178	$ 1,121,132	$ -	$ -	$ -
Unreserved	180,780	445,627	559,864	897,708	1,052,537	1,118,497	802,767	-	-	-
Nonspendable	-	-	-	-	-	-	-	31,950	31,364	41,382
Spendable:										
Restricted	-	-	-	-	-	-	-	1,219,215	1,236,111	1,062,771
Committed	-	-	-	-	-	-	-	1,385,901	1,486,404	1,732,552
Unassigned	-	-	-	-	-	-	-	(201,720)	(250,589)	(210,684)
Total General Fund	$ 1,658,885	$ 1,876,714	$ 1,924,452	$ 2,099,731	$ 2,053,348	$ 2,296,675	$ 1,923,899	$ 2,435,346	$ 2,503,290	$ 2,626,021
All other governmental funds										
Reserved	$ 474,011	$ 377,317	$ 305,386	$ 419,404	$ 305,336	$ 927,732 [2]	$ 820,497 [2]	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	74,762	97,916	83,978	62,224	48,907	(633,676) [2]	(584,829) [2]	-	-	-
Capital projects funds	1,163	2,890	4,010	2,056	98,015	82,668	52,417	-	-	-
Nonspendable	-	-	-	-	-	-	-	14,857	15,692	16,192
Spendable:										
Restricted	-	-	-	-	-	-	-	779,220 [2]	789,149 [2]	667,541 [2]
Committed	-	-	-	-	-	-	-	25,347	27,348	26,453
Unassigned	-	-	-	-	-	-	-	(572,626) [2]	(513,010) [2]	(461,801) [2]
Total all other governmental funds	$ 549,936	$ 478,123	$ 393,374	$ 483,684	$ 452,258	$ 376,724	$ 288,085	$ 246,798	$ 319,179	$ 248,385

(1) - Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental fund type of $69,442.

(2) - Due to the implementation of GASB No. 48, interfund advances were recorded in the Tobacco Settlement Authority and Tobacco Collections funds.

(3) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(4) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54.

(5) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

STATE OF IOWA

Changes in Fund Balances of Governmental Funds **Schedule 4**

For the Last Ten Fiscal Years

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2003 [1]	2004 [1]	2005	2006	2007	2008	2009	2010 [2]	2011 [3]	2012
Revenues										
Taxes	$ 5,624,307	$ 5,939,586	$ 6,285,430	$ 6,491,259	$ 6,867,216	$ 7,386,422	$ 7,333,205	$ 7,089,985	$ 7,484,244	$ 7,985,697
Receipts from other entities	3,461,978	3,591,798	3,585,177	3,973,158	3,522,809	4,193,259	5,126,503	6,131,238	5,855,250	5,626,029
Investment income	63,133	62,235	71,879	97,418	145,561	118,360	66,294	26,431	29,931	21,766
Fees, licenses & permits	575,901	615,684	639,681	651,726	680,615	690,211	978,396	1,077,664	1,195,283	1,226,093
Refunds & reimbursements	778,389	435,380	349,684	466,900	411,734	431,503	474,081	465,278	539,796	537,219
Sales, rents & services	26,093	30,954	28,735	27,714	28,589	29,143	29,925	34,620	31,400	33,225
Miscellaneous	158,192	193,171	206,371	119,906	120,677	117,568	93,961	118,521	147,736	141,461
Contributions	26	12	62	265	156	48	1,008	-	-	-
Gross revenues	10,688,019	10,868,820	11,167,019	11,828,346	11,777,357	12,966,514	14,103,373	14,943,737	15,283,640	15,571,490
Less revenue refunds	726,338	793,070	776,354	675,709	686,423	762,926	883,633	954,852	918,313	918,524
Net revenues	9,961,681	10,075,750	10,390,665	11,152,637	11,090,934	12,203,588	13,219,740	13,988,885	14,365,327	14,652,966
Expenditures										
Administration & regulation	1,225,770	974,624	875,086	909,321	863,429	889,445	1,244,250	1,272,714	1,370,396	1,403,974
Education	2,630,481	2,650,005	2,790,597	2,940,726	3,068,629	3,341,479	3,492,860	3,434,673	3,593,313	3,544,428
Health & human rights	300,504	311,742	332,790	360,180	357,830	389,209	443,841	472,053	451,393	417,306
Human services	3,383,339	3,417,491	3,622,977	3,919,831	3,864,673	4,240,263	4,626,097	4,897,794	5,172,053	5,461,157
Justice & public defense	639,298	629,246	653,683	700,362	771,562	870,244	1,144,444	1,107,809	1,065,068	1,027,435
Economic development	184,017	196,917	204,048	217,701	221,567	220,313	335,429	343,857	270,192	255,299
Transportation	1,022,586	348,494	381,706	382,576	458,950	416,388	471,563	550,192	542,490	548,629
Agriculture & natural resources	149,625	140,581	150,108	161,172	172,948	181,518	199,639	189,349	198,876	201,838
Capital outlay	14,663	749,346	828,998	878,185	800,188	769,202	1,029,341	1,161,197	962,834	1,136,378
Debt service:										
Principal	-	-	25,181	23,435	28,025	69,575	36,335	29,090	40,495	72,555
Interest & fiscal charges	-	-	52,899	54,867	53,194	58,621	59,146	86,108	100,122	101,327
Total expenditures	9,550,283	9,418,446	9,918,073	10,548,356	10,660,995	11,446,257	13,082,945	13,544,836	13,767,232	14,170,326
Excess of revenues over expenditures	411,398	657,304	472,592	604,281	429,939	757,331	136,795	444,049	598,095	482,640
Other financing sources (uses)										
Transfers in	272,192	289,009	264,968	453,815	323,251	533,885	538,129	395,422	197,540	197,567
Transfers out	(840,144)	(801,306)	(768,683)	(936,073)	(869,369)	(1,124,271)	(1,136,203)	(1,004,206)	(696,832)	(651,385)
Leases, installment purchases & other	1,180	1,009	1,115	530	4,730	848	313	2,340	93	562
Debt issued	-	-	-	-	33,370	-	-	613,710	311,945	-
Premium (discount) on bonds	-	-	-	(555,554)	270	-	-	27,027	26,043	1,643
Refunding debt issued	-	-	20,799	1,365,435	-	-	-	-	-	20,910
Payments to refund debt	-	-	(20,550)	-	-	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	(666,845)	-	-	-	-	-	-
Total other financing sources (uses)	(566,772)	(511,288)	(502,351)	(338,692)	(507,748)	(589,538)	(597,761)	34,293	(161,211)	(430,703)
Net change in fund balances	$ (155,374)	$ 146,016	$ (29,759)	$ 265,589	$ (77,809)	$ 167,793	$ (460,966)	$ 478,342	$ 436,884	$ 51,937
Debt service as a percentage of noncapital expenditures	N/A	N/A	<1%	<1%	<1%	1.2%	<1%	0.9%	1.1%	1.3%

(1) - For fiscal years 2003-2004 capital outlays were presented by function and expenditures by function included debt service payments.

(2) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(3) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

STATE OF IOWA

Tax Revenue by Source - Governmental Funds **Schedule 5**

For the Last Ten Fiscal Years

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011 [1]**	**2012**
Individual income tax	$ 2,424,011	$ 2,609,843	$ 2,799,745	$ 2,876,413	$ 3,109,609	$ 3,366,344	$ 3,320,295	$ 3,236,054	$ 3,476,658	$ 3,677,240
Sales tax	1,434,033	1,475,261	1,498,893	1,600,799	1,590,238	1,639,885	2,002,262	1,910,962	1,983,187	2,066,024
Use tax	516,400	539,071	578,255	557,841	587,009	630,184	374,686	371,195	404,151	439,772
Fuel tax	463,703	476,985	528,208	490,470	500,531	497,613	487,265	482,417	496,486	490,377
Corporate tax	221,367	239,569	281,101	370,333	436,060	464,907	408,578	373,416	401,628	550,343
Inheritance tax	85,124	82,431	77,003	71,640	77,750	79,783	72,562	68,358	65,535	79,670
Insurance premium tax	140,939	139,275	131,183	121,428	105,223	111,647	90,035	88,571	97,098	101,406
Cigarette & tobacco tax	95,758	95,085	96,077	98,936	135,207	251,584	238,153	232,573	226,692	225,499
Wagering tax	182,201	219,461	238,065	249,183	272,210	287,247	282,545	272,361	269,842	287,680
Franchise tax	35,253	36,292	36,593	35,007	33,601	36,813	33,271	31,564	39,423	41,121
Beer tax	13,961	14,104	14,070	14,277	14,264	14,454	14,717	14,503	14,272	14,726
Other	11,557	12,209	6,237	4,932	5,514	5,961	8,835	8,011	9,272	11,839
Gross taxes	5,624,307	5,939,586	6,285,430	6,491,259	6,867,216	7,386,422	7,333,204	7,089,985	7,484,244	7,985,697
Less refunds	647,825	712,737	689,874	576,733	588,552	663,997	786,757	858,281	822,634	820,178
Net taxes	$ 4,976,482	$ 5,226,849	$ 5,595,556	$ 5,914,526	$ 6,278,664	$ 6,722,425	$ 6,546,447	$ 6,231,704	$ 6,661,610	$ 7,165,519

Source: State Accounting System and adjusting journal entries from GAAP packages.

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

STATE OF IOWA

Individual Income Tax Returns Filed and Tax Rates **Schedule 6**

For the Last Ten Calendar Years

Tax Year 2002	
Net Taxable Income	**Number of Returns**
No AGI	36,370
$1 - 9,999	389,157
$10,000 - 19,999	375,313
$20,000 - 29,999	355,237
$30,000 - 39,999	257,473
$40,000 - 49,999	149,414
$50,000 - 74,999	140,422
$75,000 - 99,999	41,334
$100,000 & above	55,303
	1,800,023

Net Taxable Income	Tax Rate*
$0 - $1,211	0.36%
$1,211 - 2,422	0.72%
$2,422 - 4,844	2.43%
$4,844 - 10,899	4.50%
$10,899 - 18,165	6.12%
$18,165 - 24,220	6.48%
$24,220 - 36,330	6.80%
$36,330 - 54,495	7.92%
$54,495 & above	8.98%

Tax Year 2003	
Net Taxable Income	**Number of Returns**
No AGI	38,805
$1 - 9,999	385,654
$10,000 - 19,999	364,171
$20,000 - 29,999	347,099
$30,000 - 39,999	259,677
$40,000 - 49,999	155,553
$50,000 - 74,999	149,518
$75,000 - 99,999	45,499
$100,000 & above	60,932
	1,806,908

Net Taxable Income	Tax Rate*
$0 - $1,224	0.36%
$1,224 - 2,448	0.72%
$2,448 - 4,896	2.43%
$4,896 - 11,016	4.50%
$11,016 - 18,360	6.12%
$18,360 - 24,480	6.48%
$24,480 - 36,720	6.80%
$36,720 - 55,080	7.92%
$55,080 & above	8.98%

Tax Year 2004	
Net Taxable Income	**Number of Returns**
No AGI	40,314
$1 - 9,999	381,662
$10,000 - 19,999	354,752
$20,000 - 29,999	340,049
$30,000 - 39,999	265,364
$40,000 - 49,999	166,811
$50,000 - 74,999	166,307
$75,000 - 99,999	51,862
$100,000 & above	68,620
	1,835,741

Net Taxable Income	Tax Rate*
$0 - $1,242	0.36%
$1,242 - 2,484	0.72%
$2,484 - 4,968	2.43%
$4,968 - 11,178	4.50%
$11,178 - 18,630	6.12%
$18,630 - 24,840	6.48%
$24,840 - 37,260	6.80%
$37,260 - 55,890	7.92%
$55,890 & above	8.98%

Tax Year 2005	
Net Taxable Income	**Number of Returns**
No AGI	39,556
$1 - 9,999	372,761
$10,000 - 19,999	350,536
$20,000 - 29,999	338,342
$30,000 - 39,999	270,292
$40,000 - 49,999	176,395
$50,000 - 74,999	179,890
$75,000 - 99,999	57,841
$100,000 & above	79,060
	1,864,673

Net Taxable Income	Tax Rate*
$0 - $1,269	0.36%
$1,269 - 2,538	0.72%
$2,538 - 5,076	2.43%
$5,076 - 11,421	4.50%
$11,421 - 19,035	6.12%
$19,035 - 25,380	6.48%
$25,380 - 38,070	6.80%
$38,070 - 57,105	7.92%
$57,105 & above	8.98%

Tax Year 2006	
Net Taxable Income	**Number of Returns**
No AGI	39,558
$1 - 9,999	362,337
$10,000 - 19,999	343,506
$20,000 - 29,999	337,101
$30,000 - 39,999	277,113
$40,000 - 49,999	185,575
$50,000 - 74,999	199,518
$75,000 - 99,999	66,119
$100,000 & above	90,788
	1,901,615

Net Taxable Income	Tax Rate*
$0 - $1,300	0.36%
$1,300 - 2,600	0.72%
$2,600 - 5,200	2.43%
$5,200 - 11,700	4.50%
$11,700 - 19,500	6.12%
$19,500 - 26,000	6.48%
$26,000 - 39,000	6.80%
$39,000 - 58,500	7.92%
$58,500 & above	8.98%

Tax Year 2007	
Net Taxable Income	**Number of Returns**
No AGI	42,488
$1 - 9,999	368,519
$10,000 - 19,999	344,833
$20,000 - 29,999	337,340
$30,000 - 39,999	282,702
$40,000 - 49,999	196,874
$50,000 - 74,999	221,027
$75,000 - 99,999	74,841
$100,000 & above	103,651
	1,972,275

Net Taxable Income	Tax Rate*
$0 - $1,343	0.36%
$1,343 - 2,686	0.72%
$2,686 - 5,372	2.43%
$5,372 - 12,087	4.50%
$12,087 - 20,145	6.12%
$20,145 - 26,860	6.48%
$26,860 - 40,290	6.80%
$40,290 - 60,435	7.92%
$60,435 & above	8.98%

Tax Year 2008	
Net Taxable Income	**Number of Returns**
No AGI	45,574
$1 - 9,999	356,260
$10,000 - 19,999	335,220
$20,000 - 29,999	329,579
$30,000 - 39,999	281,286
$40,000 - 49,999	199,752
$50,000 - 74,999	234,607
$75,000 - 99,999	79,374
$100,000 & above	105,736
	1,967,388

Net Taxable Income	Tax Rate*
$0 - $1,379	0.36%
$1,379 - 2,758	0.72%
$2,758 - 5,516	2.43%
$5,516 - 12,411	4.50%
$12,411 - 20,685	6.12%
$20,685 - 27,580	6.48%
$27,580 - 41,370	6.80%
$41,370 - 62,055	7.92%
$62,055 & above	8.98%

Tax Year 2009	
Net Taxable Income	**Number of Returns**
No AGI	51,620
$1 - 9,999	336,423
$10,000 - 19,999	332,440
$20,000 - 29,999	330,853
$30,000 - 39,999	273,662
$40,000 - 49,999	194,025
$50,000 - 74,999	233,380
$75,000 - 99,999	77,882
$100,000 & above	99,179
	1,929,464

Net Taxable Income	Tax Rate*
$0 - $1,407	0.36%
$1,407 - 2,814	0.72%
$2,814 - 5,628	2.43%
$5,628 - 12,663	4.50%
$12,663 - 21,105	6.12%
$21,105 - 28,140	6.48%
$28,140 - 42,210	6.80%
$42,210 - 63,315	7.92%
$63,315 & above	8.98%

Tax Year 2010	
Net Taxable Income	**Number of Returns**
No AGI	49,110
$1 - 9,999	333,307
$10,000 - 19,999	338,049
$20,000 - 29,999	323,039
$30,000 - 39,999	274,706
$40,000 - 49,999	198,580
$50,000 - 74,999	242,170
$75,000 - 99,999	82,412
$100,000 & above	107,941
	1,949,314

Net Taxable Income	Tax Rate*
$0 - $1,428	0.36%
$1,428 - 2,856	0.72%
$2,856 - 5,712	2.43%
$5,712 - 12,852	4.50%
$12,852 - 21,420	6.12%
$21,420 - 28,560	6.48%
$28,560 - 42,840	6.80%
$42,840 - 64,260	7.92%
$64,260 & above	8.98%

Tax Year 2011	
Net Taxable Income	**Number of Returns**
Information not available.	

Net Taxable Income	Tax Rate*
$0-1,439	0.36%
$1,439-2,878	0.72%
$2,878-5,756	2.43%
$5,756-12,951	4.50%
$12,951-21,585	6.12%
$21,585-28,780	6.48%
$28,780-43,170	6.80%
$43,170-64,755	7.92%
$64,755 & above	8.98%

***** Iowa is one of three states that allow all taxpayers full deductibility of net federal tax payments.

Source: Iowa Individual Income Tax Annual Statistical Report, compiled by the Iowa Department of Revenue, Tax Research and Program Analysis Section

STATE OF IOWA

Retail Sales by Business Classification **Schedule 7**

Sales Tax Annual Period April 1 through March 31 of the following year 2003 through 2012

Classification	2003		2004		2005		2006		2007	
	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)
Utilities & transportation	12,738	$ 4,101,154	13,057	$ 3,736,575	13,276	$ 3,472,773	13,608	$ 3,480,731	14,409	$ 3,253,006
Building materials	7,137	2,020,801	6,988	2,209,564	6,840	2,382,479	6,744	2,496,945	6,965	2,502,180
General merchandise	7,412	4,664,047	7,183	4,733,819	6,988	4,887,726	6,645	4,851,712	6,862	5,159,008
Food dealers	6,229	1,283,585	6,254	1,317,366	6,299	1,358,506	6,325	1,415,821	6,796	1,503,246
Motor vehicles	14,662	1,506,153	14,485	1,598,737	14,381	1,611,626	14,251	1,686,072	14,843	1,737,850
Apparel	5,671	697,113	5,503	708,476	5,567	742,213	5,786	793,065	6,162	825,421
Home furnishings & appliances	8,397	1,186,576	8,036	1,287,449	7,879	1,382,500	7,509	1,440,372	7,582	1,435,783
Eating & drinking places	26,349	2,500,868	26,377	2,575,410	26,711	2,710,571	27,439	2,895,134	29,893	3,084,773
Specialty retail stores	60,449	2,098,701	58,988	2,201,556	58,479	2,233,187	56,820	2,349,683	60,925	2,418,715
Services	104,259	3,726,722	103,227	3,650,972	104,669	3,775,677	105,712	4,021,968	114,755	4,277,480
Wholesale goods	21,781	2,266,911	20,156	2,232,352	19,467	2,357,267	18,759	2,486,270	19,280	2,469,117
All other	78,186	2,652,267	74,709	2,847,004	75,087	2,890,776	71,340	3,190,615	57,075	2,979,140
Total	353,270	$ 28,704,898	344,963	$ 29,099,280	345,643	$ 29,805,301	340,938	$ 31,108,388	345,547	$ 31,645,719

Classification	2008		2009		2010		2011		2012	
	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)
Utilities & transportation	14,628	$ 3,385,552	14,876	$ 3,517,073	14,570	$ 3,416,539	14,489	$ 3,428,950	14,737	$ 3,405,479
Building materials	6,985	2,470,307	6,981	2,561,077	6,821	2,437,841	6,636	2,507,236	6,530	2,704,879
General merchandise	6,678	5,218,644	6,666	5,428,309	6,478	5,366,827	6,296	5,408,118	6,211	5,530,952
Food dealers	6,833	1,564,199	6,817	1,634,570	6,770	1,713,971	6,766	1,732,752	6,776	1,772,985
Motor vehicles	14,707	1,827,036	15,177	1,926,927	14,210	1,852,142	13,867	1,967,946	13,723	2,108,205
Apparel	6,147	841,572	6,326	855,151	6,383	866,270	6,312	907,046	6,224	972,815
Home furnishings & appliances	7,621	1,469,497	7,960	1,456,128	7,914	1,202,096	7,615	1,195,401	7,474	1,205,592
Eating & drinking places	30,518	3,274,850	30,936	3,359,230	30,435	3,305,611	30,191	3,434,699	30,248	3,635,252
Specialty retail stores	60,964	2,456,805	61,037	2,510,639	60,568	2,496,150	59,166	2,615,424	58,914	2,759,729
Services	116,970	4,476,801	122,863	4,729,859	127,591	4,511,003	123,085	4,661,026	125,225	4,877,162
Wholesale goods	18,788	2,499,040	18,611	2,507,198	18,148	2,227,656	17,385	2,354,819	16,945	2,568,014
All other	59,196	3,604,722	54,838	3,218,496	50,982	2,547,487	50,573	2,690,600	50,937	2,996,903
Total	350,035	$ 33,089,025	353,088	$ 33,704,657	350,870	$ 31,943,593	342,381	$ 32,904,017	343,944	$ 34,537,967

The sales tax rate had remained at 5% since 1992. In September 2008 the rate increased from 5% to 6%.

Source: Iowa Retail Sales and Use Tax Report, compiled by the Iowa Department of Revenue, Tax Research and Fiscal Analysis Section

STATE OF IOWA

Ratios of Outstanding Debt by Type **Schedule 8**

For the Last Ten Fiscal Years

(Expressed in Thousands Except Per Capita)

Fiscal Year		Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
		Revenue Bonds	Capital Leases	Loans & Contracts	Certificates of Participation	Revenue Bonds	Capital Leases	Loans & Contracts	Certificates of Participation			
2003	(1)	$ 1,012,383	$ 5,061	$ 3,422	$ 3,130	$ 640,560	$ 101,424	$ 16,597	$ 46,936	$ 1,829,513	2.20	623
2004		991,156	4,498	3,145	2,495	700,257	108,645	8,664	36,277	1,855,137	2.17	630
2005		965,724	4,390	2,820	2,035	757,800	123,861	4,838	-	1,861,468	2.06	628
2006		1,091,841	3,587	2,569	1,560	837,368	137,169	4,158	-	2,078,252	2.17	701
2007		1,110,582	6,293	2,854	1,020	921,938	157,665	3,431	-	2,203,783	2.22	739
2008		1,049,536	5,403	2,705	580	1,069,239	149,062	2,570	-	2,279,095	2.18	763
2009		1,017,620	4,438	2,526	395	1,150,222	145,930	21,283	-	2,342,414	2.12	780
2010	(2)	1,631,945	5,534	2,339	200	1,280,588	139,407	24,002	-	3,084,015	2.80	1,025
2011		1,930,626	3,664	2,145	-	1,336,824	143,111	28,119	-	3,444,489	2.95	1,131
2012		1,881,714	2,884	2,141	-	1,399,535	173,504	19,021	-	3,478,799	2.81	1,136

(1) - Fiscal Year 2003 revenue bonds reported reflects the prior period adjustment made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental fund type of $629,028.

(2) - Fiscal Year 2010 amounts reported reflect the effect of the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

Personal income and population are based on the calendar year that ends within the fiscal year (See Schedule 10).

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years

Schedule 9

Governmental Activities - General Fund
(Expressed in Thousands)

IJOBS-2009

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 60,220	$ -	$ 60,220	$ 13,750	$ 33,273	$ 47,023	1.28
2012	47,750	9	47,741	14,335	32,686	47,021	1.02

IJOBS-2010

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 5,121	$ -	$ 5,121	$ -	$ 5,121	$ 5,121	1.00
2012	12,470	3	12,467	4,370	7,878	12,248	1.02

Vision Iowa

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 15,895	$ 3	$ 15,892	$ 8,925	$ 6,967	$ 15,892	1.00
2012	15,910	8	15,902	9,390	6,512	15,902	1.00

School Infrastructure

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 5,000	$ 7	$ 4,993	$ 2,045	$ 1,422	$ 3,467	1.44
2012	5,000	7	4,993	2,125	1,458	3,583	1.39

All General Fund pledged revenues consist of casino and racetrack gaming revenues.

Governmental Activities - Special Revenue Funds
(Expressed in Thousands)

Tobacco Settlement Authority

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2003	Reported as an Enterprise Fund						
2004	$ 45,762	$ 412	$ 45,350	$ 1,325	$ 35,741	$ 37,066	1.22
2005	46,598	370	46,228	1,490	35,651	37,141	1.24
2006	43,189	2,929	40,260	2,555	38,681	41,236	0.98
2007	45,473	260	45,213	6,755	37,111	43,866	1.03
2008	62,302 *	1,253	61,049	14,700	41,656	56,356	1.08
2009	66,576 *	863	65,713	20,540	45,685	66,225	0.99
2010	71,327 *	1,097	70,230	12,510	44,350	56,860	1.24
2011	67,034 *	1,172	65,862	8,720	43,537	52,257	1.26
2012	68,283 *	1,437	66,846	9,590	42,970	52,560	1.27

* Due to implementation of GASB Statement No. 48, the Tobacco Settlement Authority no longer reports tobacco settlement revenues. All tobacco settlement revenues are reported in the Tobacco Collections Fund and funds are then advanced to the Tobacco Settlement Authority for debt repayment. The amount shown represents the amount advanced and interest income.

Honey Creek Premier Destination Park

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 5,547	$ 5,539	$ 8	$ 370	$ 1,507	$ 1,877	0.00
2012	5,912	5,708	204	485	1,493	1,978	0.10

Pledged revenues are from park revenues.

(continued on next page)

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years
(continued)

Schedule 9

Governmental Activities - Capital Projects Funds
(Expressed in Thousands)

Iowa Utilities Board and Consumer Advocate State Building

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Interest	Total	Coverage
2011	$ 887	$ -	$ 887	$ 250	$ 637	$ 887	1.00
2012	1,064	-	1,064	440	624	1,064	1.00

Pledged revenues are from utility company assessments.

Prison Infrastructure 2010

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Interest	Total	Coverage
2011	$ 6,612	$ -	$ 6,612	$ -	$ 5,698	$ 5,698	1.16
2012	6,522	-	6,522	435	6,087	6,522	1.00

Pledged revenues are from fines, fees and forfeited bail receipts.

Business-type Activities - University Funds
(Expressed in Thousands)

Residence/Dormitory Building Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2003	$ 113,836	$ 82,975	$ 30,861	$ 9,367	$ 7,410	$ 16,777	1.84
2004	112,395	83,883	28,512	8,257	9,779	18,036	1.58
2005	121,231	92,439	28,792	10,032	9,407	19,439	1.48
2006	127,116	93,318	33,798	9,982	8,828	18,810	1.80
2007	136,768	99,554	37,214	10,672	8,626	19,298	1.93
2008	144,556	103,375	41,181	10,267	8,428	18,695	2.20
2009	154,610	111,814	42,796	10,877	8,269	19,146	2.24
2010	158,830	110,914	47,916	11,363	7,812	19,175	2.50
2011	166,881	116,908	49,973	13,326	7,015	20,341	2.46
2012	185,808	133,069	52,739	15,231	6,095	21,326	2.47

Athletic/Multipurpose/Academic Facilities Revenue Bonds

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2003	$ 188,205	$ 8,529	$ 179,676	$ 8,005	$ 6,178	$ 14,183	12.67
2004	212,906	7,633	205,273	10,281	7,841	18,122	11.33
2005	230,124	8,566	221,558	7,144	7,880	15,024	14.75
2006	242,285	9,606	232,679	7,741	9,598	17,339	13.42
2007	275,740	13,621	262,119	9,874	11,897	21,771	12.04
2008	257,929	17,239	240,690	9,275	13,162	22,437	10.73
2009	280,738	19,101	261,637	9,598	13,150	22,748	11.50
2010	301,469	20,760	280,709	10,171	16,863	27,034	10.38
2011	338,173	16,807	321,366	11,561	16,812	28,373	11.33
2012	357,837	19,068	338,769	12,395	12,814	25,209	13.44

Telecommunications Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2003	$ 18,616	$ 10,898	$ 7,718	$ 1,795	$ 1,250	$ 3,045	2.53
2004	17,454	12,968	4,486	2,345	1,146	3,491	1.29
2005	17,056	11,866	5,190	2,430	991	3,421	1.52
2006	18,124	11,809	6,315	2,495	918	3,413	1.85
2007	19,574	13,452	6,122	2,575	842	3,417	1.79
2008	20,190	13,683	6,507	2,655	759	3,414	1.91
2009	23,323	15,653	7,670	2,825	435	3,260	2.35
2010	21,114	15,317	5,797	2,925	911	3,836	1.51
2011	23,164	15,555	7,609	3,015	1,219	4,234	1.80
2012	24,317	18,027	6,290	2,440	1,649	4,089	1.54

(continued on next page)

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years
(continued)

Schedule 9

Business-type Activities - University Funds
(Expressed in Thousands)

Student Health Facility Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2003	$ 5,798	$ 3,851	$ 1,947	$ 460	$ 325	$ 785	2.48
2004	6,303	4,524	1,779	480	304	784	2.27
2005	8,874	6,504	2,370	645	426	1,071	2.21
2006	10,057	7,550	2,507	675	399	1,074	2.33
2007	10,684	8,188	2,496	700	369	1,069	2.33
2008	11,374	8,684	2,690	735	339	1,074	2.50
2009	11,540	9,340	2,200	770	305	1,075	2.05
2010	11,914	8,897	3,017	800	270	1,070	2.82
2011	12,041	9,148	2,893	840	233	1,073	2.70
2012	10,811	9,311	1,500	515	128	643	2.33

Utility System Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2003	$ 74,478	$ 54,175	$ 20,303	$ 4,435	$ 3,796	$ 8,231	2.47
2004	77,308	54,751	22,557	5,220	3,582	8,802	2.56
2005	82,347	59,636	22,711	5,385	4,632	10,017	2.27
2006	89,162	66,673	22,489	6,955	4,339	11,294	1.99
2007	96,415	67,840	28,575	7,240	6,062	13,302	2.15
2008	104,481	73,463	31,018	8,610	7,388	15,998	1.94
2009	106,149	78,195	27,954	9,820	7,967	17,787	1.57
2010	109,638	76,999	32,639	11,810	7,484	19,294	1.69
2011	117,663	80,881	36,782	11,230	7,642	18,872	1.95
2012	122,367	83,958	38,409	12,540	7,221	19,761	1.94

Parking System Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2003	$ 14,105	$ 8,355	$ 5,750	$ 590	$ 693	$ 1,283	4.48
2004	14,414	9,690	4,724	635	654	1,289	3.66
2005	15,899	8,999	6,900	655	1,530	2,185	3.16
2006	16,826	10,732	6,094	1,320	1,439	2,759	2.21
2007	18,048	10,760	7,288	1,365	1,394	2,759	2.64
2008	18,412	12,234	6,178	1,410	1,346	2,756	2.24
2009	19,354	12,261	7,093	1,455	1,294	2,749	2.58
2010	18,562	13,459	5,103	1,490	1,196	2,686	1.90
2011	18,876	12,144	6,732	1,550	1,135	2,685	2.51
2012	19,984	12,655	7,329	1,605	1,068	2,673	2.74

Recreational/Regulated Materials Facility Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2003	$ 2,402	$ 187	$ 2,215	$ 995	$ 422	$ 1,417	1.56
2004	3,418	152	3,266	1,050	549	1,599	2.04
2005	3,744	156	3,588	1,400	524	1,924	1.86
2006	3,938	154	3,784	1,465	442	1,907	1.98
2007	4,111	75	4,036	1,525	393	1,918	2.10
2008	5,228	2,108	3,120	1,560	1,372	2,932	1.06
2009	5,080	1,726	3,354	515	2,361	2,876	1.17
2010	16,451	4,243	12,208	955	4,985	5,940	2.06
2011	24,151	8,815	15,336	1,845	5,593	7,438	2.06
2012	28,573	10,573	18,000	2,260	5,529	7,789	2.31

(continued on next page)

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years
(continued)

Schedule 9

Business-type Activities - University Funds
(Expressed in Thousands)

Memorial/Maucker Union Revenue Bonds

				Debt Service*			
	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Principal	Interest	Total	Coverage
2003	$ 30,802	$ 26,032	$ 4,770	$ 1,010	$ 686	$ 1,696	2.81
2004	30,148	28,122	2,026	1,050	665	1,715	1.18
2005	37,285	32,054	5,231	1,100	1,216	2,316	2.26
2006	38,367	30,730	7,637	2,065	2,100	4,165	1.83
2007	41,138	32,164	8,974	2,215	1,967	4,182	2.15
2008	40,973	32,933	8,040	2,290	1,898	4,188	1.92
2009	39,832	32,186	7,646	2,005	1,819	3,824	2.00
2010	43,974	36,263	7,711	1,655	1,749	3,404	2.27
2011	45,722	37,319	8,403	1,720	1,691	3,411	2.46
2012	34,368	26,657	7,711	1,950	1,427	3,377	2.28

Hospital Revenue Bonds

				Debt Service			
	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Principal	Interest	Total	Coverage
2003	$ 594,227	$ 546,227	$ 48,000	$ 2,600	$ 537	$ 3,137	15.30
2004	638,515	589,367	49,148	2,675	1,236	3,911	12.57
2005	674,118	598,087	76,031	560	1,142	1,702	44.67
2006	773,841	683,260	90,581	580	1,119	1,699	53.31
2007	814,693	708,788	105,905	610	1,094	1,704	62.15
2008	871,173	784,225	86,948	635	2,326	2,961	29.36
2009	928,193	863,979	64,214	2,065	3,314	5,379	11.94
2010	943,458	842,556	100,902	3,615	5,458	9,073	11.12
2011	1,033,448	903,039	130,409	3,500	4,959	8,459	15.42
2012	1,098,292	981,872	116,420	3,680	5,891	9,571	12.16

Center For University Advancement Revenue Bonds

				Debt Service*			
	Gross Revenues*	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
2003	$ 1,495	$ -	$ 1,495	$ 850	$ 620	$ 1,470	1.02
2004	1,427	30	1,397	895	578	1,473	0.95
2005	1,161	18	1,143	945	534	1,479	0.77
2006	897	-	897	530	396	926	0.97
2007	870	-	870	510	377	887	0.98
2008	905	-	905	535	357	892	1.01
2009	945	-	945	560	337	897	1.05
2010	915	-	915	575	315	890	1.03
2011	890	-	890	610	280	890	1.00
2012	865	-	865	610	255	865	1.00

All University Funds pledged revenues consist of charges for services which include room and board fees.

* - Certain amounts have been revised to reflect changes made by the Universities.

Source: Information provided by the Treasurer of State, Tobacco Settlement Authority and Universities.

STATE OF IOWA
Demographic and Economic Statistics **Schedule 10**
For the Last Ten Calendar Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Population (*in thousands*)	2,937	2,944	2,954	2,966	2,982	2,988	3,003	3,008	3,046	3,062
Personal income (*in millions*)	$ 83,051	$ 85,506	$ 90,289	$ 95,858	$ 99,112	$ 104,651	$ 110,135	$ 110,541	$ 116,616	$ 123,933
Per capita personal income	$ 28,277	$ 29,044	$ 30,565	$ 32,315	$ 33,236	$ 35,023	$ 36,680	$ 36,751	$ 38,281	$ 40,470
Resident civilian labor force and employment (*annual averages*)										
Civilian labor force (*in thousands*)	1,667.5	1,612.3	1,623.8	1,659.8	1,664.3	1,661.0	1,676.0	1,673.9	1,670.3	1,663.6
Resident employment (*in thousands*)	1,600.7	1,540.1	1,545.4	1,584.1	1,602.8	1,598.3	1,607.0	1,574.3	1,567.7	1,565.5
Resident unemployed (*in thousands*)	66.8	72.2	78.4	75.7	61.5	62.7	69.0	99.7	102.6	98.0
Percent unemployed	4.0	4.5	4.5	4.6	3.7	3.8	4.1	6.0	6.1	5.9
Employment by industry, non-agricultural (*in thousands)*										
Construction	66.3	66.6	68.4	71.2	74.8	72.5	73.0	64.8	61.6	62.5
Manufacturing	227.5	220.0	222.9	229.5	230.9	229.4	227.8	203.7	200.1	207.4
Trade, transportation and utilities	304.9	303.1	305.6	306.8	308.6	308.8	309.2	302.0	300.0	301.9
Information	35.2	33.7	33.5	33.3	32.8	33.5	33.3	30.4	28.5	27.9
Financial activities	94.0	95.4	96.7	98.3	100.6	102.6	102.9	101.8	101.2	100.3
Professional and business	105.7	105.2	107.2	112.6	117.0	120.9	121.5	117.6	121.7	123.5
Education and health	188.0	189.8	191.4	195.3	199.0	202.3	206.7	211.0	213.5	215.9
Leisure and hospitality	124.5	125.5	127.6	129.6	132.7	136.7	135.3	132.4	129.7	130.6
Other services	56.8	56.2	56.3	56.2	56.6	57.7	57.7	57.6	57.0	56.5
Government	244.2	244.8	244.3	245.5	247.3	249.7	252.7	254.7	253.6	249.8
Total non-agricultural employment	1,447.1	1,440.3	1,453.9	1,478.3	1,500.3	1,514.1	1,520.1	1,476.0	1,466.9	1,476.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Iowa Workforce Development, Labor Market Information Unit in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

STATE OF IOWA

Principal Non-governmental Employers

Prior Calendar Year and Nine Years Ago

Schedule 11

CALENDAR YEAR 2011

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General merchandise
3	Wells Fargo Bank NA	Finance
4	Deere and Company	Machinery Manufacturing
5	Rockwell Collins, Inc.	Equipment Manufacturing
6	Principal Life Insurance Company	Life Insurance
7	Tyson Fresh Meats, Inc.	Food Manufacturing
8	Fareway Food Stores, Inc.	Retail Food
9	Casey's General Store	Convenience Stores
10	Iowa Health Systems	Health Services

CALENDAR YEAR 2002

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General merchandise
3	Deere and Company	Machinery Manufacturing
4	Principal Life Insurance Company	Insurance/Finance
5	Tyson Fresh Meats, Inc.	Food Manufacturing
6	Rockwell Collins, Inc.	Equipment Manufacturing
7	Fareway Stores, Inc.	Retail Food
8	Pella Corporation	Wood Products Manufacturing
9	Central Iowa Hospital Corporation	Health Services
10	Maytag Corporation	Appliance Manufacturing

The Code of Iowa defines employee counts as confidential data; as such, this information is not available.

Source: Iowa Workforce Development

STATE OF IOWA
Significant Classes of Assets by Function **Schedule 12**
Capital Intensive Departments Only
For the Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ADMINISTRATION & REGULATION										
Department of Administrative Services										
Land (acres)	133	133	133	133	133	133	133	138	138	138
Buildings & improvements (square footage)	1,210,406	1,210,406	1,210,406	1,210,406	1,433,865	1,443,917	1,472,729	1,766,069	1,810,569	1,810,569
Machinery & equipment	556	594	619	580	574	594	576	613	962	985
Alcoholic Beverages Division										
Land (acres)	15	15	15	15	15	15	15	15	15	15
Buildings & improvements (square footage)	181,996	181,996	181,996	181,996	181,996	181,996	181,996	181,996	181,996	181,966
EDUCATION										
Iowa Public Television										
Land (acres)	27	27	37	131	131	211	211	211	208	208
Buildings & improvements (square footage)	119,800	119,800	119,800	119,800	119,800	119,800	62,000	62,000	62,000	75,500
Machinery & equipment	532	544	583	572	580	578	983	977	908	927
Iowa Braille and Sight Saving School										
Land (acres)	70	70	70	70	70	70	70	70	70	70
Buildings & improvements (square footage)	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612
Iowa School for the Deaf										
Buildings & improvements (square footage)	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426
HEALTH & HUMAN RIGHTS										
Department for the Blind										
Buildings & improvements (square footage)	98,606	98,606	98,606	98,606	98,606	98,606	98,606	98,606	98,606	100,000
Machinery & equipment	221	221	221	221	211	229	264	262	200	199
Veterans Home										
Land (acres)	158	158	158	258	258	158	158	158	158	158
Buildings & improvements (square footage)	742,041	742,041	742,041	742,041	742,041	736,534	736,534	736,534	736,534	886,711
Machinery & equipment	217	218	225	218	239	241	250	262	266	298
Department of Public Health										
Machinery & equipment	249	278	311	335	368	358	336	422	417	466
HUMAN SERVICES										
Department of Human Services & Institutions										
Land (acres)	2,825	2,825	2,825	2,825	2,825	2,872	2,872	2,872	1,965	1,965
Buildings & improvements (square footage)	4,240,760	4,240,760	4,240,760	4,215,068	4,215,068	4,189,372	4,187,685	4,243,059	4,247,383	4,243,591
Machinery & equipment	1,318	1,404	1,377	1,424	1,562	1,617	1,734	1,754	1,793	1,807

(continued on next page)

STATE OF IOWA

Significant Classes of Assets by Function **Schedule 12**

Capital Intensive Departments Only

For the Last Ten Fiscal Years

(continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
JUSTICE & PUBLIC DEFENSE										
Department of Corrections & Correctional Facilities										
Land (acres)	1,951	1,932	1,985	1,872	2,112	2,112	2,112	2,122	2,136	1,984
Buildings & improvements (square footage)	3,391,719	3,392,487	3,873,806	3,101,404	3,786,838	3,922,016	3,930,180	3,930,180	4,057,021	3,958,161
Machinery & equipment	1,052	1,070	1,089	1,111	1,304	1,387	1,434	1,398	1,450	1,500
Judicial Districts										
Land (acres)	54	52	52	54	54	55	71	71	71	66
Buildings & improvements (square footage)	477,591	477,591	477,591	477,591	525,638	525,638	525,638	525,638	568,765	568,765
Machinery & equipment	310	301	317	294	296	298	297	283	292	310
Department of Public Defense										
Land (acres)	2,712	2,709	2,699	2,694	2,688	2,688	2,688	2,688	2,688	2,688
Buildings & improvements (square footage)	2,208,477	2,272,103	2,266,807	2,432,404	2,453,389	2,484,110	2,494,278	2,609,806	2,679,159	2,702,403
Machinery & equipment	257	288	278	323	327	350	330	391	417	401
Department of Public Safety										
Land (acres)	79	79	79	79	87	59	60	60	60	60
Buildings & improvements (square footage)	132,162	132,162	132,162	132,162	132,162	149,303	153,660	153,660	151,160	151,160
Machinery & equipment	1,505	1,406	1,415	1,471	1,420	1,416	1,495	1,477	1,623	1,806
ECONOMIC DEVELOPMENT										
Iowa Workforce Development										
Buildings & improvements (square footage)	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822
Machinery & equipment	379	354	332	328	331	289	297	267	254	262
TRANSPORTATION										
Department of Transportation										
Land (acres)	10,344	9,886	8,840	8,161	8,256	7,568	7,199	7,404	7,071	7,069
Buildings & improvements (square footage)	2,213,811	2,189,403	2,224,961	2,279,725	2,293,725	2,311,895	2,320,784	2,360,453	2,388,154	2,413,888
Highway lane miles	233,380	233,558	234,039	234,451	235,471	235,821	235,999	236,426	236,428	237,115
Heavy equipment	4,801	4,926	5,048	5,114	5,326	5,385	5,550	5,803	5,779	6,101
Machinery & equipment	2,866	2,927	2,854	2,972	2,951	3,083	3,275	3,392	3,275	3,313
AGRICULTURE & NATURAL RESOURCES										
Department of Natural Resources										
Land (acres)	331,198	331,198	331,198	331,198	335,735	339,541	162,859	165,711	169,881	173,921
Buildings & improvements (square footage)	578,906	578,906	578,906	578,906	582,401	603,161	634,149	625,649	634,268	662,577
State parks	71	71	71	71	71	71	71	71	71	71
Wildlife management areas	20	20	20	20	20	20	20	20	20	16
Machinery & equipment	2,111	2,111	2,111	2,111	2,124	2,355	2,472	2,535	2,632	2,343

Source: Information provided by the Departments.

STATE OF IOWA

Operating Indicators by Function **Schedule 13**

For the Last Ten Fiscal Years or as Identified

	2003	2004	2005	2006	2007	2008	2009	2010	2011 [1]	2012
ADMINISTRATION & REGULATION										
Department of Administrative Services										
State employees covered by benefit plans	18,493	18,885	18,873	19,382	19,747	20,299	20,630	20,140	18,951	19,315
Number of State payroll warrants processed*	498,577	510,463	510,558	524,984	534,237	549,932	558,438	541,636	509,232	502,198
EDUCATION										
Department of Education										
Enrollment:										
Public schools	487,021	485,011	483,335	483,105	482,584	480,609	477,019	474,227	473,493	473,504
Universities	71,521	70,566	68,949	67,896	67,701	69,178	70,325	71,353	72,708	73,948
Community colleges	73,947	78,292	81,803	82,499	84,961	87,072	88,104	100,736	106,597	105,975
HEALTH & HUMAN RIGHTS										
Department for the Blind										
Number of clients served	8,603	9,089	9,090	8,006	8,204	7,204	8,239	8,093	7,197	6,971
HUMAN SERVICES										
Department of Human Services										
Average number of residents/patients	1,228	1,229	1,176	1,168	1,136	1,105	1,070	1,024	957	911
Average number of Medicaid recipients	263,690	281,212	297,376	297,000	317,169	306,000	330,286	361,385	380,749	393,664
JUSTICE & PUBLIC DEFENSE										
Department of Corrections										
Average number of inmates	8,375	8,547	8,547	8,721	8,752	8,765	8,712	8,384	10,301	10,022
ECONOMIC DEVELOPMENT										
Department of Economic Development										
Number of community development block grants/home projects funded	118	116	115	110	117	104	61	84	-	-
Iowa Workforce Development										
Number of unemployment claims accepted (**calendar year**)	113,570	88,976	91,540	92,610	91,367	126,309	165,030	125,564	107,937	INA
Unemployment insurance regular benefits paid (**in millions, calendar year**)	381.5	312.5	296.3	312.9	329.6	421.5	788.1	586.9	463.4	INA
TRANSPORTATION										
Department of Transportation										
Automobile driver licenses issued	1,016,478	1,196,564	1,002,548	864,514	709,590	938,192	1,153,422	1,016,493	919,844	810,494
Vehicles weighed (**in thousands, federal fiscal year**)	1,012	1,005	964	921	595	534	441	492	587	793
AGRICULTURE & NATURAL RESOURCES										
Department of Natural Resources										
Hunting & fishing licenses issued	1,571,435	1,366,087	1,368,624	1,378,487	1,372,423	1,305,779	1,374,122	1,418,625	1,356,740	1,413,309

* - Centralized State Payroll system only - excludes the Universities, Department of Transportation, Judicial Districts and certain other departments.

INA - Information not available.

Source: Information provided by Departments.

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

STATE OF IOWA

Number of Employees - Primary Government

Schedule 14

For the Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011 [1]	2012
Administration & regulation	2,006	2,022	2,040	2,101	2,147	2,167	2,254	2,227	2,142	2,073
Education	1,120	1,152	1,165	1,166	1,117	1,107	1,147	1,147	1,090	1,067
Health & human rights	1,710	1,769	1,793	1,851	1,878	1,931	1,976	1,959	1,801	1,710
Human services	5,290	5,381	5,496	5,676	5,982	6,060	6,224	6,079	5,631	5,441
Justice & public defense	7,521	7,629	7,546	7,685	7,854	8,119	8,247	8,024	7,614	6,415
Economic development	986	1,003	973	962	929	961	998	1,042	916	853
Transportation	3,404	3,311	3,355	3,338	3,190	3,257	3,311	3,328	3,135	2,908
Agriculture & natural resources	1,449	1,548	1,534	1,578	1,607	1,635	1,689	1,618	1,520	1,450
Universities	39,343	39,023	38,302	36,474	37,137	37,842	39,003	38,392	38,081	39,736
Other enterprise funds	297	300	309	300	298	302	310	294	173	178
Total primary government	63,126	63,138	62,513	61,131	62,139	63,381	65,159	64,110	62,103	61,831

Source: Department of Administrative Services

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

STATE OF IOWA

Schedule of Current Expenditures - General Fund **Schedule 15**

Year Ended June 30, 2012

(Expressed in Thousands)

	Personal Services	Travel & Subsistence	Supplies	Contractual Services	Equipment & Repairs	Claims & Miscellaneous	Licenses Permits & Refunds	State Aid	Plant Improvement	Adjustments	Total Current Expenditures
Administration & regulation	136,368	5,666	4,791	58,450	6,499	550,908	119	670,613	10,367	(53,944)	1,389,837
Education	74,761	1,661	4,807	28,308	1,736	5,902	156	3,324,446	1,221	17,575	3,460,573
Health & human rights	115,571	1,855	11,242	225,236	4,542	959	4	62,277	-	(5,116)	416,570
Human services	387,124	3,969	19,760	151,856	9,623	2,034	9	4,944,237	-	(57,617)	5,460,995
Justice & public defense	538,218	13,116	34,680	122,697	19,110	5,843	40	235,744	53,967	2,865	1,026,280
Economic development	71,527	1,248	2,105	46,414	3,352	9,882	1	91,342	-	29,428	255,299
Transportation	229,659	30,992	53,947	125,946	13,388	124,209	79	53,256	890,416	(973,615)	548,277
Agriculture & natural resources	109,423	7,140	6,996	44,997	3,227	4,127	7	22,329	23,509	(30,058)	191,697
Total primary government	$ 1,662,651	$ 65,647	$ 138,328	$ 803,904	$ 61,477	$ 703,864	$ 415	$ 9,404,244	$ 979,480	$ (1,070,482)	$ 12,749,528

Source: State Financial Accounting System, Judicial Districts financial statements, Iowa School for the Deaf and Iowa Braille and Sight Saving School financials and adjusting journal entries from GAAP packages.

A C K N O W L E D G M E N T S

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